

Office of the Secretary of Defense

Operation and Maintenance Overview

February 2006



Fiscal Year (FY) 2007 Budget Estimates



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M-1/O-1 Exhibit

M-1A Exhibit

O-1A Exhibit

Program Assessment Rating Tool (PART)

**Operation and Maintenance Performance Criteria and
Metrics**

O&M TOA BY SERVICE BY APPROPRIATION

	(\$ in Millions)						
	<u>FY 2005</u>	<u>Price</u>	<u>Program</u>	<u>FY 2006</u>	<u>Price</u>	<u>Program</u>	<u>FY 2007</u>
	<u>Actual</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>
<u>Army</u>	<u>67,216.7</u>	<u>+1,113.6</u>	<u>-38,206.2</u>	<u>30,124.2</u>	<u>+892.5</u>	<u>+1,023.7</u>	<u>32,040.2</u>
Army	60,327.1	+935.5	-37,529.1	23,733.5	+704.1	+464.8	24,902.4
Army Reserve	2,017.3	+52.0	-120.2	1,949.1	+54.3	+295.8	2,299.2
Army National Guard	4,872.3	+126.1	-556.9	4,441.5	+134.1	+263.1	4,838.7
<u>Navy</u>	<u>41,694.9</u>	<u>+1,884.0</u>	<u>-9,002.6</u>	<u>34,576.1</u>	<u>+1,400.9</u>	<u>+733.6</u>	<u>36,710.6</u>
Navy	33,892.2	+1,672.0	-6,067.9	29,496.3	+1,241.3	+593.3	31,331.0
Marine Corps	6,237.9	+123.5	-2,711.2	3,650.1	+127.1	+101.8	3,879.0
Navy Reserve	1,364.1	+85.2	-219.8	1,229.5	+31.2	+28.1	1,288.8
Marine Corps Reserve	200.6	+3.3	-3.7	200.2	+1.3	+10.4	211.9
<u>Air Force</u>	<u>41,309.4</u>	<u>+1,727.1</u>	<u>-6,261.5</u>	<u>36,775.0</u>	<u>+1,653.9</u>	<u>+973.2</u>	<u>39,402.1</u>
Air Force	34,494.9	+1,407.2	-6,239.1	29,663.0	+1,246.6	+432.7	31,342.3
Air Force Reserve	2,262.8	+128.5	+77.2	2,468.5	+152.3	+103.0	2,723.8
Air National Guard	4,551.7	+191.4	-99.6	4,643.5	+255.0	+437.5	5,336.0
<u>Defense-Wide and Other</u>	<u>47,627.0</u>	<u>+1,678.1</u>	<u>-6,234.5</u>	<u>43,070.7</u>	<u>+1,906.1</u>	<u>-1,121.4</u>	<u>43,855.3</u>
Defense-Wide	21,534.5	+651.6	-2,155.0	20,031.1	+664.7	-620.1	20,075.7
Defense Health program	18,388.5	+1,010.9	+606.8	20,006.2	+1,174.9	-405.0	20,776.1
Emergency Response Fund, Defense	424.9	-	-406.9	18.0	-	-18.0	-
Former Soviet Union Threat Reduction	407.9	+9.7	-7.2	410.4	+9.0	-47.3	372.1
Office of the Inspector General	198.3	+4.3	+6.4	209.0	+4.7	+2.6	216.3
Overseas Humanitarian, Disaster and Civic Aid	175.8	+1.3	-116.3	60.8	+1.3	+1.1	63.2
Payment to Kaho'olawe Island	0.4	-	-0.4	-	-	-	-

O&M TOA BY SERVICE BY APPROPRIATION

	(\$ in Millions)						
	<u>FY 2005</u>	<u>Price</u>	<u>Program</u>	<u>FY 2006</u>	<u>Price</u>	<u>Program</u>	<u>FY 2007</u>
	<u>Actual</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>
U.S. Court of Appeals for the Armed Forces	10.5	+0.3	+0.3	11.1	+0.3	+0.3	11.7
Support for International Sporting Competitions	1.2	-	-0.7	0.5	-	-0.5	-
Environmental Restoration, Army*	(401.3)	-	+402.8	402.8	+8.9	+2.1	413.8
Environmental Restoration, Navy*	(265.9)	-	+301.5	301.5	+6.7	-3.8	304.4
Environmental Restoration, Air Force*	(396.5)	-	+401.5	401.5	+8.8	+13.6	423.9
Environmental Restoration, Defense-Wide*	(18.9)	-	+27.8	27.8	+0.6	-10.0	18.4
Environmental Restoration, Formerly Used Defense Sites (FUDS)*	(265.7)	-	+253.8	253.8	+5.6	-16.6	242.8
Afghanistan Security Forces Fund	995.0	-	-995.0	-	-	-	-
Drug Interdiction And Counter-Drug Activities, Defense*	(1,147.8)	-	+936.1	936.1	+20.6	-29.8	926.9
Overseas Contingency Operations Transfer Fund (OCOTF)*	(10.0)	-	-	-	-	+10.0	10.0
Iraqi Security Forces	5,490.0	-	-	-	-	-	-
Iraq Freedom Fund*	(3,800.0)	-	-	-	-	-	-
Total Obligation Authority **	197,848.1	+6,402.8	-59,704.8	144,546.0	+5,853.4	+1,609.1	152,008.3

*Transfer Accounts. The FY 2005 data is non-additive. The Department transfers these program funds to other appropriations (primarily Operations and Maintenance appropriations) where the Components manage, obligate, and expend the transferred funds for the purposes appropriated.

** Totals may not add due to rounding.

OPERATION AND MAINTENANCE TITLE SUMMARY

<u>(\$ in Millions)</u>						
FY 2005	Price	Program	FY 2006	Price	Program	FY 2007
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
197,848.1	+6,402.8	-59,705.4	144,546.0	+5,853.4	+1,609.1	152,008.3

Note: Unless otherwise stated, the FY 2005 actual column includes Supplemental funding. The FY 2006/2007 columns do not include Supplemental funding.

The Department of Defense’s Operation and Maintenance (O&M) programs underpin the military readiness of the United States. America’s military must be capable of responding effectively to crises to:

- protect our national interest;
- demonstrate U.S. resolve; and
- reaffirm the role of the United States as a global leader.

The U.S. forces must be able to execute the full spectrum of military operations -- from deterring aggression and coercion, to conducting concurrent smaller-scale contingency operations, to fighting and winning major theater wars.

To fulfill these roles, U.S. forces must be prepared and ready to execute their combat missions decisively. Resources dedicated to O&M reflect the Department’s commitment to readiness. The Department’s first-to-fight forces are the best in the world.

The funding amounts reflected in this Overview are expressed in Total Obligational Authority (TOA) terms. The term “TOA” includes Budget Authority and financing adjustments (e.g., transfers from unobligated balances), which comprise the total funding available for obligation in the appropriations included in the O&M Title. The summary table at the top of this page identifies the TOA for the appropriations included in the O&M Title.

The FY 2007 TOA request for the O&M Title increases \$7.5 billion above the FY 2006 baseline funding and consists of net increases of +\$5.9 billion in price growth and +\$1.6 billion in program growth. Overall, the request grows by +5.2 percent. The following narrative and the exhibits in the O&M Overview Book discuss the price and major program changes from the FY 2006 baseline TOA.

OPERATION AND MAINTENANCE TITLE SUMMARY

PRICE CHANGES

Price growth reflects the additional cost of executing the previous year's program at the next year's prices. In general, price growth amounts are estimated by applying price change rates to amounts budgeted for various commodity groups (i. e., civilian pay, Working Capital Fund purchases, medical supply purchases, general non-personnel purchases, etc.). The FY 2007 price growth is \$5.9 billion. Rates used for the major commodity groups follow:

For civilian pay, the FY 2007 price growth is based on annualization of the FY 2005 pay raises for General Schedule and wage board employees to include locality increases, which were effective January 1, 2005, and the portion of the FY 2006 pay increases scheduled to become effective January 1, 2006. It also provides for foreign national employee pay raises at the rates the host countries provided to public sector personnel. For FY 2007, the budgeted pay raise increase is 2.2 percent for General Schedule and wage board employees and is projected to be effective January 1, 2007.

Consistent with Office of Management and Budget (OMB) direction, the general non-personnel purchase rate is 2.2 percent for FY 2007.

In FY 2005, increases in world fuel market prices, along with the impact of hurricane damage on the U.S. refining industry, necessitated, a significant price change, and drove an increase to the current stabilized rate of \$84.00 per barrel. The FY 2006 budget, however, only reflected funding to meet an overall composite rate of \$61.74 per barrel. Due to this significant increase in cost, the Department is requesting \$2.6 billion in the FY 2006 Global War on Terror Supplemental to fund the price growth. As a result, the FY 2007 budget requests funding to reflect the increase from \$61.74 to \$84.00. The budgeted increase is reflected as price growth, since the customer's budget does not include the funding necessary to meet the stabilized price of \$84.00 per barrel in FY 2006.

Other Working Capital Fund rates change by business activity group and vary from year to year. The following list of FY 2006 rate changes represents those business areas that account for the vast majority of orders from O&M customers:

OPERATION AND MAINTENANCE TITLE SUMMARY

<u>Working Capital Fund Activity Group</u>	<u>Rate Change (Percent)</u>
Army Managed Supplies, Materials, and Equipment	+4.4
Navy Managed Supplies, Materials, and Equipment	+2.4
Air Force Managed Supplies, Materials, and Equipment	+6.8
Defense Logistics Agency (DLA) Managed Supplies, Materials, and Equipment	+0.6
Army Depot Systems Command – Maintenance	+5.5
Army Ordnance Depot Maintenance	+5.5
Naval Aviation Depots	+4.8
Marine Corps Depot Maintenance	-3.3
Air Force Depot Maintenance (Organic)	-5.8
Navy Civil Engineering Services	-3.3
Military Sealift Chartered Cargo	+13.1
Air Mobility Command Channel Cargo	+0.5
Air Mobility Command Passenger	+2.1
Air Mobility Command Training	+4.9
DLA Distribution Depots	-2.0
DLA Fuel	+36.1 (varies)
Document Automation and Production Services	+3.5
Defense Finance and Accounting Service	-9.6
Defense Information Systems Agency (DISA) – Defense Computing Centers	+7.5
DISA – Defense Communication Services – GIG-BE/DISN	+13.6
DISA – Reimbursable Services	+2.7

OPERATION AND MAINTENANCE TITLE SUMMARY

PROGRAM CHANGES

Air Operations

(\$ in Millions)						
FY 2005	Price	Program	FY 2006	Price	Program	FY 2007
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
33,116.1	+1,839.4	-4,319.8	30,635.7	+1,846.2	+1,528.7	34,010.6

The Air Operations program finances the cost to maintain aircraft and to train pilots to achieve and maintain flying proficiency in support of the national military strategy. Air Operations consists of two main functions:

- (1) flying hours, also called Operating Tempo (OPTEMPO); and
- (2) support, including depot maintenance.

The flying hour program is based on pilot training syllabuses, which are used to estimate the number of training hours needed to achieve and to maintain aircrew skill levels.

The FY 2007 budget request of \$34.0 billion for the Air Operations program reflects a net program increase of +\$3.4 billion (+11.0 percent) above the FY 2006 funding level. The FY 2007 increase funds a pricing change (+6.0 percent) and the Services' flying hour requirements to meet readiness and training goals (+5.0 percent). Major program changes include:

- Air Force: fund transfers in from procurement for the F-15 Contractor Logistics Support (+\$0.1 billion); an increase representing the restoral of the FY 2006 Air Force peacetime offset for flying operations (+\$0.5 billion); and a decrease to the Flying Hour Program due to a change in hours and/or consumption based on Mission Design Series (MDS) and changes in training requirements (-\$0.1 billion);
- Air National Guard: increased Flying Hour Program (+\$0.2 billion); and
- SOCOM: flying hour funding associated with the fielding of additional MH-47Gs, CV-22s and A/MH-6Ms; Additional increases for the transition of the Directional Infrared Countermeasures (DIRCM) system to O&M sustainment; civilian end strength increase associated with Flight Operations; and additional capabilities and greater presence with the transition of responsibilities for the 160th Special Operations Aviation Regiment from CENTCOM Forward Presence (+\$0.1 billion).

OPERATION AND MAINTENANCE TITLE SUMMARY

Land Forces

(\$ in Millions)	FY 2005	Price	Program	FY 2006	Price	Program	FY 2007
	<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
Army *	3,415.2	+122.7	-919.3	2,618.6	+98.2	+119.6	2,836.4
Marine Corps	2,402.8	+26.2	-2,026.3	402.7	+2.5	+98.3	503.5
Total	5,818.0	+148.9	-2,945.6	3,021.3	+100.7	+217.9	3,339.9

* Includes BA 1/BA 4 final adjustments not reflected in the FY 2007 President's Budget Submission.

The Land Forces program includes funding to train and to sustain active Army and Marine Corps ground combat forces. The Army's program includes units assigned to heavy, airborne, air assault and light division; corps combat units. The Marine Corp program includes divisions, service support groups, helicopter groups, and light anti-aircraft missile battalions that constitute the Marine air-ground team and Marine security forces.

The FY 2007 budget request of \$3.3 billion for Land Forces programs reflects a pricing growth of +\$0.1 billion (+3.3 percent) and a program increase of +\$0.2 billion (+7.2 percent). Major program changes include:

- Army: conversion of brigade combat teams (BCTs) into modular brigades and the addition of three modular brigades; and
- Marine Corps: cyclic programmed equipment purchases for Improved Load Bearing Equipment, Family of Ballistic Protection, Critical Low Density Secondary Repairable (5th Ech), Family of Shelters and Shelter Equipment, increase to establish Marine Forces North as United States Marine Corps (USMC) component to U.S. Northern Command (NORTHCOM), increase to establish Marine Central Headquarters (MARCENT), and increase for Marine Corps Foreign Language Program due to increased involvement with foreign nations.

OPERATION AND MAINTENANCE TITLE SUMMARY

Ship Operations

<u>(\$ in Millions)</u>						
FY 2005	Price	Program	FY 2006	Price	Program	FY 2007
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
9,356.0	+509.0	-1,625.0	8,243.0	+366.0	+41.0	8,650.0

The Ship Operations programs include OPTEMPO as well as depot maintenance and support. The FY 2007 budget request of \$8.650 billion includes a pricing growth of +\$0.4 billion (+4.4 percent) and a net program increase of +\$0.041 billion (+0.5 percent) that is due primarily to net decrease in the number (-10) and scope of scheduled ship availabilities offset by increases associated with 151 steaming days for USNS SACAGAWEA (T-AKE2), 91 steaming days for USNS GRASP (T-ARS 51), 273 steaming days for USNS GRAPPLE (T-ARS 53), and 273 steaming days for T-AKE 3, and funding for ship repair parts and consumables.

Mobilization

<u>(\$ in Millions)</u>						
FY 2005	Price	Program	FY 2006	Price	Program	FY 2007
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
6,160.6	+552.8	-1,683.2	5,030.2	+275.0	+99.5	5,404.7

The Mobilization program provides for airlift and sealift capability to deploy combat forces and materiel in contingencies by providing funding to maintain an inventory of immediately available supplies and equipment to sustain the forces as outlined in the National Military Strategy.

The FY 2007 budget request of \$5.4 billion for the Mobilization program reflects a pricing growth of +\$0.3 billion (5.5 percent) and a net program increase of +\$0.1 billion (+2.0 percent). The majority of the program increase is associated with the Air Force's Airlift Operations (+\$0.1 billion) and the Navy's activation and inactivation program (+\$0.1 billion). The increases are partially offset by decreases in the Army's Other Mobilization Programs (-\$0.1 billion).

OPERATION AND MAINTENANCE TITLE SUMMARY

Depot Maintenance

<u>(\$ in Millions)</u>						
<u>FY 2005</u> <u>Actual</u>	<u>Price</u> <u>Change</u>	<u>Program</u> <u>Change</u>	<u>FY 2006</u> <u>Estimate</u>	<u>Price</u> <u>Change</u>	<u>Program</u> <u>Change</u>	<u>FY 2007</u> <u>Estimate</u>
13,364.9	+192.1	-2,934.0	10,622.9	+119.1	+3.3	10,745.3

The Depot Maintenance program funds the overhaul, repair, and maintenance of aircraft, missiles, ships, submarines, combat vehicles and other equipment. Depot maintenance efforts are performed at both public (DoD) and private (contractor) facilities. These efforts provide maintenance necessary to sustain the operational readiness of combat forces, to ensure the safe and efficient operation of weapon systems, and to renovate assets that are being transferred from active forces to the Reserve Components.

The FY 2007 budget request of \$10.7 billion reflects a net price increase of +\$0.1 billion and a net program increase of \$.003 billion from the FY 2006 funding level. Major program changes include:

- Army depot maintenance program reflects a net increase of +\$0.3 billion, due to Active Army aircraft and combat vehicles, communication equipment, and other heavy equipment; the Army Reserve tactical vehicles and other end item maintenance; and the Army National Guard Rotary Wing Aircraft maintenance and other end items such as calibration of bio-medical equipment, general weapon systems, and calibration of Civil Support Teams (CSTs) Chemical, Biological, Radiological, and Nuclear (CBRN) equipment.
- Navy depot maintenance program reflects a net decrease of -\$0.4 billion, mainly due to the number of ships undergoing maintenance and a decrease in the scope of anticipated repairs, reduced standard depot level maintenance repairs, phased depot maintenance repairs, engine overhauls, and other depot maintenance decreases associated with expeditionary airfields and ship inactivation programs.
- Air Force depot maintenance program reflects a net increase of +\$0.06 billion, due to increasing Programmed Depot Maintenance for B-1, B-52, and C-130 aircraft, and Depot Purchased Equipment Maintenance Software upgrades for the B-52's new radar/navigation system, B-1 munitions inventory, Combat and Recovery HH-60 helicopter, C-130/HH-60, C-130J, and KC-135R/T; and these increases are offset by decreases in Engine and Missile overhauls and Other Major End Items for the Modular Control System and reduced automated test equipment repair requirements.

OPERATION AND MAINTENANCE TITLE SUMMARY

Transportation

<u>(\$ in Millions)</u>						
<u>FY 2005</u>	<u>Price</u>	<u>Program</u>	<u>FY 2006</u>	<u>Price</u>	<u>Program</u>	<u>FY 2007</u>
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
2,494.0	+19.3	-1,349.1	1,164.2	+14.9	-46.1	1,133.1

The Transportation program provides for the movement of materiel between contractors' plants, military logistics centers, and field activities throughout the world.

In FY 2007, total DoD transportation costs are \$1.13 billion, a net decrease of -\$0.03 billion from the FY 2006 estimate of \$1.16 billion. This net decrease includes price growth of +\$0.01 billion and a net program decrease of -\$0.05 billion (4.0 percent). The price growth is mostly due to changes in the Working Capital Fund approved transportation rates. The FY 2007 program decreases are mostly due to decreases in the Army and Marine Corps programs, and the Air Force's projected savings by more effectively using less expensive modes of transportation for future shipments. These decreases are partially offset by the increases in the Navy Exchange sales volume, including the transfer of Ship Store operations in Bahrain to the Navy Exchange Command Resale, and the Joint Staff's increase to support Full Scale Civil Military Exercises.

Training and Education

<u>(\$ in Millions)</u>						
<u>FY 2005</u>	<u>Price</u>	<u>Program</u>	<u>FY 2006</u>	<u>Price</u>	<u>Program</u>	<u>FY 2007</u>
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
7,395.3	+233.1	-197.6	7,430.8	+265.2	-11.3	7,684.7

The Training and Education program finances the operation of training centers, Service schools, and scholarship programs, which are necessary to acquire and to maintain a trained force of personnel capable of supporting DoD's military units, ships, aircraft, and installed weapon systems. Also included are resources to finance base support activities and facility sustainment.

- The FY 2007 budget request of \$7.7 billion reflects a pricing growth of +\$0.3 billion and a net program decrease of -\$0.01 billion.

OPERATION AND MAINTENANCE TITLE SUMMARY

Recruiting, Advertising, and Examining

<u>(\$ in Millions)</u>						
FY 2005	Price	Program	FY 2006	Price	Program	FY 2007
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
1,519.0	+43.5	-113.5	1,449.0	+32.5	-145.8	1,335.9

The Recruiting, Advertising, and Examining program provides funds to support the recruiting commands and stations throughout the United States, to finance the costs for local, regional, and national advertising to support the procurement and retention of quality enlisted and officer personnel, and to support the U.S. Military Entrance Processing Command to process all enlisted personnel entering active duty.

The FY 2007 budget of \$1.3 billion reflects a pricing growth of +\$0.03 billion and net program decrease of -\$0.1 billion, mainly due to a decrease in the Advertising program.

Base Support

<u>(\$ in Millions)</u>						
FY 2005	Price	Program	FY 2006	Price	Program	FY 2007
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
20,818.0	+568.7	-3,654.2	17,732.5	+571.6	+275.8	18,579.9

The Base Operating Support (BOS) program provides the resources to operate the bases, installations, camps, posts, and stations of the Military Departments. These resources sustain mission capability, ensure quality-of-life, enhance work force productivity, and fund personnel and infrastructure support.

The FY 2007 budget request of \$18.6 billion reflects a pricing growth of +\$0.6 billion (+3.2 percent) and a program growth of +\$0.3 billion (+1.6 percent). Major program changes include:

OPERATION AND MAINTENANCE TITLE SUMMARY

- Army: The program decrease reflects anticipated savings through improved efficiencies, streamlining headquarters operations, creating a more agile and responsive staff and reducing layers of review and approval (-\$0.2 billion);
- Navy: The program increases include funding for increased utilities support, utility market volatility and de-regulation impacts (+\$0.1 billion), maintenance and repair for utilities and transportation infrastructure that transferred from Public Works Departments to Public Works Centers (+\$0.1 billion), alignment of funding for Norfolk and Portsmouth Naval Shipyards to mission funding (+\$0.045 billion), the Air Operations, Youth Programs, Base Security, Environmental Compliance, Emergency Management, Quarters Operations, and Mishap Reductions (+\$0.09 billion). Program decrease reflects reduced presence in Europe (-\$0.067 billion), realignment of funds to support the Enterprise Information Technology program (-\$0.1 billion), and a one-time decrease due to FY 2006 Congressional adds (-\$0.016 billion);
- Air Force: The program increases include funding for Military-to-Civilian Conversion program that identified military members performing work not directly associated with the Air Force core war fighting mission and converted military positions to civilian positions (+\$0.3 billion), partially offset by management efficiencies with the Air Force Transformation efforts (-\$0.07 billion) and improved funds management and preclude unobligated balances (-\$0.08 billion); and
- Marine Corps: The program increases include funding for the First Response program, including medical kits, essential personnel suites, masks, chemical and biological installation equipment, Anti Terrorism compliance, military to civilian conversion, emergency services, collateral equipment for initial outfitting of military construction projects, the Marine Corps Network Operations Security Command (MCNOSC) to support core fleet information technology, data and network capability requirements, and Mu Juk, Korea Marine Corps Base.

Command, Control, and Communications

<u>(\$ in Millions)</u>						
<u>FY 2005</u>	<u>Price</u>	<u>Program</u>	<u>FY 2006</u>	<u>Price</u>	<u>Program</u>	<u>FY 2007</u>
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
5,247.8	+56.5	-164.4	5,139.9	+47.7	+181.1	5,368.7

The Command, Control, and Communications (C3) program finances base level and worldwide communication networks for voice, data, and imagery traffic to ensure responsive support to U.S. forces.

The FY 2007 budget request of \$5.4 billion includes a pricing growth of +\$0.05 billion (+0.9 percent) and a net program increase of +\$0.18 billion (+3.5 percent). Major program changes include:

OPERATION AND MAINTENANCE TITLE SUMMARY

- **Sustaining Base Communications:** The Army increases funding for realignment for voice, video, data, and circuits that are packaged together for 404 core DoD sites (+\$0.1 billion); and the Navy increases funding for the phasing of life cycle maintenance for communication equipment, the new TELEPORTS lines reaching full operating status in FY 2007, and bandwidth expansion for the Global Information Grid (GIG) (+\$0.09 billion). The increase also supports the Maritime Interdiction Operations (MIO) pilot program to establish an Intelligence Exploitation Team (IET) and establishment of Joint Tactical Radio System (JTRS) Joint Program Executive Office (PEO).
- **Command and Control:** The Navy’s funding increases for the operations, life cycle support, IT maintenance for the Deployable Joint Command and Control (DJC2) and operation and maintenance for FORCEnet Trusted Information Systems (+\$0.03 billion) and SOCOM’s increases to fund technical support, Capital Equipment Replacement Program, consumables and infrastructure (+\$0.02 billion) are offset by the Air Force’s anticipated savings from the Transformation Initiatives (-\$0.03 billion).
- **C3 Related:** The Navy decreases funding for Computer Network Defense life cycle support and contractor support (-\$0.01 billion) and the Air Force increases funding for military to civilian conversion and Information Assurance Activities (+\$0.05 billion).

Facilities Sustainment, Restoration, and Modernization (SRM) and Demolition

<u>(\$ in Millions)</u>						
<u>FY 2005</u>	<u>Price</u>	<u>Program</u>	<u>FY 2006</u>	<u>Price</u>	<u>Program</u>	<u>FY 2007</u>
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
7,718.0	+228.0	-1,059.0	6,887.0	+172.0	-298.0	6,761.0

The Facilities Sustainment, Restoration, and Modernization (SRM) and Demolition programs provide funds to support two distinct efforts. The SRM program (formerly called “Real Property Maintenance”) provides funds to maintain facilities, to restore facilities whose age is excessive or have been damaged, and to improve facilities to accommodate new functions or mission. The demolition program provides funds to demolish and dispose of obsolete and excess structures.

The FY 2007 budget request of \$6.8 billion includes price growth of +\$0.2 billion (+2.5 percent) and a net program decrease of -\$0.3 billion (-4.3 percent) below the FY 2006 funding level. Major program changes include:

- The Army request reflects a net decrease of \$3 million from the FY 2006 funding level: +\$0.05 billion in price growth and -\$0.05 billion in program reduction. SRM funding will fund critical facility requirements and upgrade deteriorating facilities at 90 Army installations worldwide. The FY 2007 program maintains facilities sustainment at 90 percent of requirement. The Army

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request also includes \$0.02 billion for its demolition program, which reflects a decrease of -\$0.008 billion from the FY 2006 funded level.

- The Navy request reflects a net decrease of -\$0.1 billion from the FY 2006 funding level: +\$0.03 billion in price growth and -\$0.1 billion (-11.0 percent) in program reduction. The FY 2007 program maintains facilities sustainment at 95 percent of requirement. The Navy request also includes \$0.05 billion for demolition, which reflects price growth of +\$0.001 billion over the FY 2006 funded level.
- The Air Force request reflects a net decrease of -\$0.05 billion from the FY 2006 funding level: +\$0.04 billion in price growth and -\$0.1 billion (-5.5 percent) in program reduction. The FY 2007 program achieves an 86 percent sustainment level and funds critical annual maintenance and repair activities. The Air Force program does not include any funding for demolition.
- The Marine Corps request reflects a net decrease of -\$0.07 billion from the FY 2006 funding level: +\$0.01 billion in price growth and -\$0.08 billion (-15.6 percent) in program reduction. The FY 2007 program achieves a 94 percent sustainment level. The Marine Corps request also includes \$0.005 billion for its demolition program, consistent with prior year funding levels.

Defense-Wide

<u>(\$ in Millions)</u>						
FY 2005	Price	Program	FY 2006	Price	Program	FY 2007
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
21,534.5	+651.6	-2,155.0	20,031.1	+664.7	-620.1	20,075.7

The Operation and Maintenance, Defense-Wide appropriation provides funding to support a wide range of essential programs that are critical to the accomplishment of the missions of the Military Departments. Consolidation of these functions has achieved maximum efficiency by avoiding overlap and duplication among the Military Departments. These programs include special operations forces, intelligence activities, audit and contract management activities, treaty implementation, nuclear weapons management and analysis, dependents’ education, civilian and military personnel support, and management support for the Department.

The FY 2007 budget request of \$20.1 billion for the O&M, Defense-Wide appropriation includes a program increase of +\$0.6 billion to expand the United States Special Operations Command’s (USSOCOM) capabilities to lead, plan, and coordinate global operations against international terrorist networks while improving established capabilities to respond to a wide range of national threats. There is also a program increase of \$+1.1 billion for the classified programs. The supplemental funds (Hurricane and Coalition Support)

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carried over into FY 2006 from the FY 2005 Emergency Supplemental Appropriation are the primary driver of the program decrease between the FY 2006 estimate and the FY 2007 budget request.

Defense Health Program

(\$ in Millions)						
FY 2005	Price	Program	FY 2006	Price	Program	FY 2007
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
18,388.5	+1,010.9	+606.8	20,006.2	+1,174.9	-405.0	20,776.1

The medical mission of the Department of Defense (DoD) is to enhance DOD and our Nation’s security by providing health support for the full range of military operations and sustaining the health of all those entrusted to our care. The Defense Health Program (DHP) appropriation supports worldwide medical and dental services to the active forces and other eligible beneficiaries, veterinary services, medical command headquarters, graduate medical education for the training of medical personnel, and occupational and industrial health care. The FY 2007 Defense Health Program budget request of \$20.8 billion includes realistic cost growth for pharmacy, managed care support contracts, and other health care services purchased from the private sector. This budget estimate includes savings of \$0.7 billion for the proposed modest increases in TRICARE enrollment fees, deductibles, and pharmacy co-payments for retired military health care beneficiaries under age 65. This \$0.2 billion in savings associated with the enactment of a legislative proposal to institute annual enrollment fees and increase deductibles for TRICARE Extra/Standard, as well as indexing these fees by an appropriate inflation measure. In addition, it includes \$0.5 billion in savings associated with DoD regulation and policy changes for increased annual enrollment fees for TRICARE Prime and mail order pharmacy co-payments.

Major changes in cost include:

- Increase in health care demands and pharmacy program growth due to increased utilization and the entry of new drugs into the market place (+\$0.4 billion);
- Increase in military to civilian/contractor personnel conversions in support of the Department’s Relieving Stress on the Force initiative and civilian pay raise (+\$0.2 billion);
- Increase in FY 2007 due to one-time 1% congressional recession in FY 2006 (+\$0.2 billion);
- Increase in sustainment of medical facilities and information technology (+\$0.1 billion);
- Decrease due to military treatment facilities efficiencies (-\$0.2 billion); and
- Decrease due to one-time congressional increases in FY 2005 (-\$0.4 billion).

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Former Soviet Union Threat Reduction

<u>(\$ in Millions)</u>						
FY 2005	Price	Program	FY 2006	Price	Program	FY 2007
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
407.9	+9.7	-7.2	410.4	+9.0	-47.3	372.1

The Former Soviet Union (FSU) Threat Reduction appropriation provides resources to address the threat from, and potential proliferation of, the FSU arsenal of weapons of mass destruction (WMD) associated materials and expertise. The FY 2007 budget request of \$0.4 billion for the FSU Threat Reduction appropriation reflects a net program decrease of -\$38.3 million. Programs with decreased funding include Chemical Weapons Destruction (-\$68.2 million), Weapons of Mass Destruction (WMD) Proliferation Prevention (-\$4.0 million), Strategic Nuclear Arms Elimination (-\$1.1 million), and Defense and Military Contacts (-\$0.1 million). Programs with increased funding include Strategic Offensive Arms Elimination (+\$12.9 million), Weapons Storage Security (+\$1.1 million), Weapons Transportation Security (+\$2.3 million), Biological Weapons (BW) Proliferation Prevention (+\$6.2 million) and Other Programs (+\$3.6 million).

Defense Environmental Restoration

<u>(\$ in Millions)</u>						
FY 2005	Price	Program	FY 2006	Price	Program	FY 2007
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
1,348.2	+32.4	+6.8	1,387.4	+30.5	-14.6	1,403.3

The Defense Environmental Restoration Program consists of five transfer appropriations that the Congress established to provide for the identification, investigation, and cleanup of past contamination from hazardous substances and wastes; correction of other environmental damage; detection of unexploded ordnances; and the demolition and removal of unsafe buildings, structures at active installations and Formerly Used Defense Sites (FUDS). The Department funds its environmental restoration program to ensure the Military Departments and Defense Agencies meet all legal agreements and ensure compliance with DoD cleanup goals.

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The FY 2007 budget request of \$1.4 billion reflects a price growth of +\$30.5 million and programmatic reductions of -\$14.6 million (-1.1 percent). The program reductions of -\$14.6 million primarily consists of the discontinuance of a one-time congressional increase to the Formerly Used Defense Sites (FUDS) account in FY 2006 and the exclusion of the Defense Logistics Agency’s stockpile sites that are not eligible for environmental restoration funding and, therefore, are no longer reported as a part of the environmental restoration program.

Overseas Contingency Transfer Fund

<u>(\$ in Millions)</u>						
<u>FY 2005</u>	<u>Price</u>	<u>Program</u>	<u>FY 2006</u>	<u>Price</u>	<u>Program</u>	<u>FY 2007</u>
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
10.0	-	-10.0	-	-	+10.0	10.0

The Overseas Contingency Transfer Fund (OCOTF) is a permanent transfer appropriation that the Congress established in FY 1997 to finance contingency operations since these operations are dynamic and unpredictable. As a transfer appropriation, the OCOTF provides the Department with the flexibility to provide funds in the year of execution to the Components for contingency operations costs. The Department is requesting \$10 million in additional funds for FY 2007.

Drug Interdiction and Counterdrug Activities

<u>(\$ in Millions)</u>						
<u>FY 2005</u>	<u>Price</u>	<u>Program</u>	<u>FY 2006</u>	<u>Price</u>	<u>Program</u>	<u>FY 2007</u>
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
1,147.8	+24.5	-236.3	936.1	+20.6	-29.8	926.9

The Drug Interdiction and Counterdrug Activities, Defense, appropriation is a central transfer account used to fund the Department’s Counternarcotics (CN) Program. The Department of Defense (DoD) uses these resources to finance CN activities that fulfill its statutory responsibilities, use military-unique resources and capabilities, and advance the national priorities of the National Drug Control Strategy. DoD uses its counternarcotics authorities and funding to support efforts in the war on terrorism to implement the Department’s Security Cooperation Guidance. The account provides inherent flexibility for the Department’s CN program to respond effectively to the dynamic nature of the drug threat. It covers all CN resources with the exception of those resources for the Active

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components' military personnel, Service OPTEMPO, and military construction. The Services budget for the OPTEMPO portion of the program in their Operation & Maintenance appropriations.

The program request of \$926.9 million for FY 2007 reflects a price growth of \$20.6 million and a program decrease of \$29.8 million over the FY 2006 level of \$936.1 million, primarily because of one-time FY 2006 congressional increases to the Department's counter-narcoterrorism program.

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(\$ in Millions)

FY 2005	Price	Program	FY 2006	Price	Program	FY 2007
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
60,327.1	935.5	-37,529.1	23,733.5	704.1	464.8	24,902.4

The Operation and Maintenance (O&M), Army appropriation provides for the day-to-day operations of units, schools and power projection platforms, which in combination support a strategically ready force. The appropriation finances the Army's capability to develop tough, realistic training; provide maintenance of equipment and facilities; and provide the highest quality-of-life for Soldiers and their families.

Overall Assessment

The FY 2007 O&M budget supports balanced priorities for Army forces that are simultaneously at war and transforming. The FY 2007 budget does not include any funding requests associated with active operations related to the Global War on Terror (e.g., additional end-strength, resetting the force, and contingency operations) or other potential future operations. This budget supports the needs of soldiers as they prepare to fight and win our nation's wars.

FY 2007 Budget Request

The FY 2007 O&M Army budget request of \$24,902.4 million increases by \$1,168.9 million above the FY 2006 program. The increase includes a net price increase of \$704.1 million (e.g., inflation, fuel increase, and pay raises) and a net program increase of \$464.8 million.

In FY 2005, increases in world fuel market prices, along with the impact of hurricane damage on the U.S. refining industry, necessitated a significant price change, and drove an increase to the current stabilized rate of \$84.00 per barrel. The FY 2006 budget, however, only reflected funding to meet an overall composite rate of \$61.74 per barrel. Due to this significant increase in cost, the Department is requesting \$2.6 billion in the FY 2006 Global War on Terror Supplemental to fund the price growth. As a result, the FY 2007 budget requests funding to reflect the increase from \$61.74 to \$84.00. The budgeted increase is reflected as price growth, since the customer's budget does not include the funding necessary to meet the stabilized price of \$84.00 per barrel in FY 2006.

ARMY

The FY 2007 budget request:

- Executes the Army OPTEMPO strategy for those units not committed to OEF and OIF at the same level as FY 2006 (615 tank miles and 11.6 flying hours per crew per month).
- Funds training enablers and mission-oriented readiness requirements.
- Increases depot maintenance to enable the Army to sustain current operational needs.
- Increases accession training, basic skill and advanced training, recruiting and advertising, and other training and education.
- Increases Servicewide communications and Logistics Support activities.

Budget Activity 1: Operating Forces

(\$ in Millions)

FY 2005	Price	Program	FY 2006	Price	Program	FY 2007
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
\$48,467.7	\$630.4	-\$34,879.3	\$14,218.8	\$493.0	\$318.3	\$15,030.1

Budget Activity 1 – Operating Forces consists of three activity groups: Land Forces, Land Forces Readiness, and Land Forces Readiness Support. Funding in this budget activity:

- Supports day-to-day operations and readiness training activity levels of the Army's active combat forces.
- Supports a ground OPTEMPO strategy to reflect Major Command (MACOM) unique missions and geographical peculiarities (e.g., availability of maneuver areas and combat training centers) and availability of simulators (i.e., Close Combat Tactical Trainer (CCTT) and Unit Conduct of Fire Trainer (UCOFT)).
- Funds the Army's participation in the Joint National Training Capability (JNTC) events.
- Supports key activities essential to operational readiness, such as depot maintenance, participation in joint exercises, and combat development.
- Provides for infrastructure maintenance and support, management headquarters, unified command support, and special activities of the operating forces to include contingency operations that are now included in the budget such as the Balkans, Operation Noble Eagle, and Guantanamo Bay Detainee Operations.

ARMY

Major program changes include:

- Increases funding in Divisions (\$182.1 million), Corps Combat Forces (\$23.4 million), Corps Support Forces (\$84.7million) and Echelon Above Corps (EAC) Support Forces (\$66.8 million). This increase reflects deployment offset changes in the ground and air OPTEMPO training events due to the rotational deployments in support of OIF/OEF. The number and mix of units (active versus reserve and light brigade versus heavy brigade) projected to deploy in FY 2007 differs from those projected to deploy or deployed in FY 2006. This difference requires more units to execute home station training (Combined Arms Training Strategy) in FY 2007 (\$357.0 million). Additionally, there is a decrease of \$43.4 million in Contract Logistic Support associated with systems deployed to OIF/OEF.
- Increases funding in Land Forces Depot Maintenance support items such as overhauls for two additional helicopters (a MH-47E helicopter, and an AH-64D helicopter), 135 Shop Shelters, 365 M872 trailers of various configurations, 25 Bradley Fighting Vehicles Systems (BFVS) of various configurations, 32 additional M1A1/M1E1 Abrams Integrated Management (AIM) recapitalization vehicles, the overhaul of 184 additional Mobile Subscriber Equipment (MSE) major assembly overhauls, and a new program of 15 Crash Damaged MSE Shelters. Additional increases fund watercraft overhauls required to meet U.S. Coast Guard requirements and support various Post Production Software Support (PPSS) programs (Total: \$333.4 million).
- Decreases Base Operations Support (BOS) resulting from the Army integrating business process improvements (Six Sigma and Lean Flow initiatives) and organizational efficiencies in BOS. (\$-164.9 million).
- Decreases in Additional Activities (\$-111.8 million) base funding reflects the reduction of costs associated with the initial fielding of the last 11 Civil Support Teams (\$-11.9 million); reduced requirements for vulnerability assessments, training awareness efforts, antiterrorism exercises, and procurement and maintenance of mass notification equipment (\$-11.1million); and a one time reprogramming action in FY 2006 for IED Defeat Mission not carried over in FY 2007 (\$-83.3 million).

Budget Activity 2: Mobilization

(\$ in Millions)

FY 2005	Price	Program	FY 2006	Price	Program	FY 2007
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
\$424.8	\$14.0	-\$79.5	\$359.3	\$26.5	-\$116.9	\$268.9

Budget Activity 2 – Mobilization consists of three activity groups: Strategic Mobilization, Army Prepositioned Stocks (APS), and Industrial Preparedness. Funding in this budget activity provides:

ARMY

- Capability to immediately deploy a combat capable brigade along with a warfighting division and associated force structure to any emergency crisis worldwide. The program includes the activation and upload of Large, Medium Speed Roll-On/Roll-Off (LMSR) ships for the preposition afloat set and container procurements.
- Funding for the Oman Access and the Bahrain Lease for critical storage space.
- Capability to power project brigade and unit sets, operational projects and sustainment supplies immediately from CONUS, Europe, Southwest Asia, South Korea, Japan, Hawaii to trouble spots any where in the world.
- Industrial analysis to help the Army obtain end item and repair part support (excluding ammunition).

Major program changes include:

- Strategic Mobilization decreases by \$-71.8 million primarily due to the scheduled reconfiguration of one Heavy Brigade Combat Team (BCT).
- Army Prepositioned Stocks Program decreases by \$-34.0 million due to the reduced cost of Care of Supplies in Storage (COSIS) and reduced cyclic maintenance cycles of ships.
- Starting in FY 2007, Congress is requested to appropriate funds for Industrial Preparedness Operations to Revolving and Management Funds, Defense Working Capital Funds as opposed to O&M, Army. This decrease of \$-11.1 million accounts for the elimination of civilian pay costs for this program.

Budget Activity 3: Training and Recruiting

(\$ in Millions)

FY 2005	Price	Program	FY 2006	Price	Program	FY 2007
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
\$3,245.2	\$88.6	\$83.7	\$3,417.5	\$94.8	\$102.2	\$3,614.5

Budget Activity 3 – Training and Recruiting consists of three activity groups: Accession Training, Basic Skills and Advanced Training, and Recruiting and Other Training and Education. Funding in this budget activity provides:

ARMY

- Accession training operations to produce the enlisted and officer personnel needed to meet total force requirements. Officer accessions receive indoctrination training through the United States Military Academy, U.S. Military Academy Preparatory School, and the Officer Candidate School.
- Specialized skill, flight training, professional development education, and training support.
- Recruiting and advertising programs needed to fulfill the Army personnel requirements.
- Civilian education and training, tuition assistance for active duty personnel, and the Junior Reserve Officer Training Corps.

Major program changes include:

- Increases funds for Officer Acquisition which supports implementation of the Language Immersion Program (\$9.8 million) at the United States Military Academy and Specialized Skill Training (\$2.3 million) to include the expansion of the Defense Language Institute’s Translator Aide Program (\$4.3 million) (Total: \$16.1 million).
- Increases funds for Recruit Training (\$7.7 million)
- Increases funds for One Station Unit Training (\$10.3 million).
- Increases funds for Recruiting and Advertising Initiatives (\$35.5 million).
- Increases funds for Education and Training Programs (\$20.8 million).
- Increases funds for all 1,645 JROTC schools to purchase school supplies and upgrade information technology equipment (\$6.6 million).
- Increases funds for Military Entrance Processing Command (\$10.6 million).

Budget Activity 4: Administration and Servicewide

(\$ in Millions)

FY 2005	Price	Program	FY 2006	Price	Program	FY 2007
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
\$8,189.3	\$202.6	-\$2,653.9	\$5,738.0	\$89.8	\$161.1	\$5,988.9

Budget Activity 4 – Administration and Servicewide consists of four activity groups: Security Programs, Logistic Operations, Servicewide Support, and Support to Other Nations. These resources finance the administration, logistics, communications, and other servicewide support functions required to secure, equip, deploy, transport, sustain and support Army forces. Funding in this budget activity resources:

ARMY

- Intelligence and security efforts through the National Intelligence Program, Military Intelligence Program, Security and Intelligence Activities, Personnel Security Investigations, and Arms Control Treaty Implementation.
- Movement of Army materiel worldwide and management of end items, ammunition and logistics support activities.
- Army Management Headquarters Activities, the Army Claims program, and servicewide telecommunications, information systems and personnel programs.
- Our commitment to the North Atlantic Treaty Organization and supports Combatant Commander's security cooperation strategies.

Major budget changes include:

- Increase funding in Servicewide Communications to ensure CONUS reach-back capability. Funding supports satellite communications, Long Haul Communications, the expansion of the Grid-Bandwidth, and the Army's portion of the Defense Communications System (\$136.0 million)
- Increase funds in Logistic Support Activities for the financial program implementation for selected equipment, development of capabilities and a phased implementation plan for the Joint Unique Identification Program. This program will ensure that all tangible property and equipment procured by the Army is assigned a unique identification number for inventory management (\$20.9 million).

NAVY

(\$ in Millions)

FY 2005 1/ <u>Actual</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2006 2/ <u>Estimate</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2007 <u>Estimate</u>
33,892.2	+1,672.0	-6,067.9	29,496.3	+1,241.3	+593.3	31,331.0

Note: 1/ FY 2005 values displayed include Supplemental funding (\$4,031.4M).

2/ FY 2006 values displayed exclude Supplemental funding (\$2,273.4M).

The Operation and Maintenance, Navy (O&M,N) appropriation finances the day-to-day costs of operating naval forces, including fuel, supplies, and maintenance of ships, Navy and Marine Corps aircraft, related weapon systems, and the support establishment ashore. The primary focus of the Department's FY 2007 budget is to continue to ensure the readiness of deployed forces.

The FY 2007 estimate of \$31,331.0 million includes a price increase of +\$1,241.3 million. This price increase primarily results from increases in general inflation changes (+\$343.4 million), civilian pay (+\$139.7 million), Working Capital Fund rate costs (+\$263.3 million), fuel (+\$484.0 million), and Transportation Rates (+\$10.9 million). This budget reflects overall program increases of +\$593.3 million.

Budget Activity 1: Operating Forces

(\$ in Millions)

FY 2005 <u>Actual</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2006 <u>Estimate</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2007 <u>Estimate</u>
25,973.2	+1,534.2	-5,080.3	22,427.1	+1,067.9	+902	24,397.1

The Operating Forces budget activity funds the Navy's air operations, ship operations, combat operations/support, and weapons support programs. Included in this budget activity are the costs associated with operating Navy shore bases to support these missions. Also included are the funds required to maintain combat ready forces necessary to respond to national objectives in joint, naval and combined operations. It supports the forward presence and crisis response capabilities of the National Military Strategy.

The FY 2007 budget estimate of \$24,397.1 million includes a price increase of +\$1,067.9 million and program increases totaling +\$902 million (+4.0 percent). Major program changes include:

NAVY

- **Air Operations** increases by +\$379.6 million, including price growth of +\$413.6 million. Major program changes include:
 - Net decrease of -\$32.7 million for reduced repairables and consumables; additional hours required to achieve a T-2.5 readiness level; changes in student load plan in Fleet Air Training; and changes in type/model/series flown, such as the retirement of S-3Bs and F-14s:
 - Increase of \$40.4 million for the implementation and accelerated deployment of the Navy Converged Enterprise Resource Planning Program and support for the Naval Air Pacific Repair Activity and the Naval Air Mediterranean Repair Activity forward deployed depot maintenance programs; and
 - Decrease of -\$48.9M million associated with a reduction in required Standard Depot Level Maintenance, Phased Depot Maintenance /Integrated Maintenance concept tasks, engine overhauls and repairs.
- **Ship Operations** increases by +\$404.6 million, including price growth of +\$359.0 million. Major program changes include:
 - Net decrease in the number (-10) and scope of scheduled ship availabilities (-\$123 million);
 - Increase associated with additional steaming days for MSC chartered ships (+\$70.3 million);
 - Increase of +\$35.8 million for ship repair parts and consumables to ensure the requirement is fully funded in accordance with the last three years of execution experience;
 - Transfers of +\$26.3 million from Cruise Missile for Distributed Common Ground System and +\$20.7 million from Planning, Engineering and Design for civilian personnel realignment; and
 - Reduction to deployed steaming days from 39 to 36 per quarter for peacetime OPTEMPO reduction (-\$36.0 million).
- **Facility Sustainment, Restoration and Modernization (FSRM)** decreases by -\$106.6 million, including price growth of +\$31.0 million. Major program changes include:
 - Renovation at U.S. Naval Academy for language and cultural expertise development (+\$10.0 million);
 - Realignment of SRM funds for Naval Shipyards at Norfolk and Portsmouth from customer accounts (+\$33.0 million) to reflect shipyard mission funding;
 - Reductions to requirements realized through inventory reduction, Base Realigning and Closure, and cost factor adjustment associated with Facilities Sustainment Model 7.2 (-\$88.9 million);
 - Reduced footprint at an overseas base (-\$14.5 million), reduced SRM requirement for facilities identified for future demolition (-\$17.5 million); and
 - Realignment of FSRM for shore utilities and transportation to base operations at installations where Public Works Departments are converting to Public Works Centers (PWC) as this infrastructure SRM is now incorporated into PWC rates (-\$59.7 million).

NAVY

- **Base Support** increases by +\$249.4 million, including price growth of +\$120.5 million. Major program changes include:
 - Increase to provide minimally acceptable utilities support (+\$64.3 million), utility market volatility and de-regulation impacts (+\$56.4 million), realignment from SRM to fund maintenance and repair for utilities and transportation infrastructure transferred from Public Works Departments to Public Works Centers (+\$59.7 million);
 - Realignment of base operation costs for Norfolk and Portsmouth Naval Shipyards from customer accounts (+\$45.8 million) due to mission funding of shipyards;
 - Increase to provide minimally acceptable service in Air Operations, Youth Programs, Base Security, Environmental Compliance, Emergency Management, Quarters Operations, and Mishap Reduction (+\$85.9 million);
 - Program decreases include Base Realignment and Closure effects (-\$6.7 million), reduced presence in Europe (-\$67.2 million); and
 - Realignment of (-\$95.7 million) to the Enterprise Information Technology to reflect consolidation of Navy IT costs.

- **Combat Operations and Support** decreases by -\$171.9 million, including price growth of +\$68.2 million. Major program changes include:
 - Realignment of -\$318.4 million to the Enterprise Information Technology to reflect consolidation of Navy IT costs;
 - Increase of +\$3.8 million for FORCENet Trusted Information Systems;
 - Increase of +\$7.2 million for the reactivation of the USNS ABLE T-AGOS;
 - Reduction of -\$11.5 million in equipment maintenance for aerial targets at Navy training ranges, and other fleet training support requirements;
 - Realignment of -\$15.1 million to US Joint Forces Command (JFCOM) in support of the Joint Knowledge Development and Distribution Capability program and integration with the Joint National Training Capability;
 - Increase of +\$14.0 million to support JFCOM Unified Command Plan responsibilities;
 - Increase of +\$11.2 million to support sustainment and maintenance of C4I networks at JFCOM;
 - Increase of +\$7.6 million to support JFCOM management responsibility roles to conventional force oversight;
 - Increase of +\$6.4 million for the stand up of a second Standing Joint Forces Headquarters;
 - Increase of +\$4.8 million to support the Maritime Interdiction Operations pilot program;
 - Increase of +\$4.0 million for the replenishment of Chem-bio and radiological defense equipment associated with the Navy's AT/FP efforts;
 - Increase of +\$3.9 million to support a new JFCOM Standing Joint Forces Headquarters;
 - Increase of +\$3.3 million supports the establishment of the Riverine Warfare Command at Commander, Fleet Forces Command;
 - Increase of +\$3.8 million for maintenance support of the new SPS-73 radar;
 - Increase of +\$2.0 million supports sustainment of the Landing Craft Unit (LCU) 1600;

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- Increase of +\$1.0 million supports the Pacific Warfighting Operations Center at US Pacific Command (PACOM); and
- Increase of +\$1.6 million for the overhaul of the Ocean Simulation Facility.
- **Weapons Support** increases by +\$468.2 million, including price growth of +\$25.2 million. Major program changes include:
 - Increase of +\$1.1 million supports one additional Tomahawk Operational Test Launch;
 - Decrease of -\$20.2 million reflects reductions in Cruise Missile engineering, maintenance and control operations;
 - Decrease of -\$26.3 million reflects realignment of funds to support the Distributed Common Ground System-Navy to Ship Operational Support and Training;
 - Increase of +\$44.1 million supports Nuclear Weapons Security, providing escort service/transit support protection of TRIDENT submarines;
 - Increase of +\$42.9 million supports Nuclear Weapons Security countermeasures and Strategic Systems Programs Administration requirements;
 - Increase of +\$40.3 million supports a full level of repair activity for TRIDENT II; and resumption of MK-6 guidance systems repairs, and obsolescence replacements;
 - Increase of +\$40.3 million supports In-Service Engineering support for Explosive Ordnance Device Systems;
 - Increase of +\$17.8 million supports the Littoral Mine Warfare program to enhance Improvised Explosive Device collections and exploitation capabilities;
 - Increase of +\$14.0 million supports SSGN weapons maintenance and systems support as it reaches IOC in FY 2007;
 - Increase of +\$5.1 million supports the Riverine Warfare Command and In-Service Engineering Agent Support for Remote Minehunting Vehicles;
 - Increase of +\$27.0 million reflects realignment from Navy Procurement appropriations supporting selected spares and repair parts requirements;
 - Increase of +\$300.9 million reflects realignment of funds from Acquisition and Program Management for the centralization of Classified Programs;
 - Decrease of -\$5.5 million reflects realignment to the Enterprise Information Technology to reflect the consolidation of Navy IT costs.
 - Decrease of -\$11.1 million reflects elimination of contract security guards at Navy Nuclear facilities, replaced by Masters-of-Arms; and
 - Decrease of -\$13.3 million reflects one-time FY 2006 cost for MK-45 Gun Depot Overhauls.

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Budget Activity 2: Mobilization

FY 2005	Price	(\$ in Millions)		Price	Program	FY 2007
		Program	FY 2006			
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
874.8	+1.1	-182.0	693.9	+11.8	+94.5	800.2

The Mobilization budget activity maintains assets that will support forces that rapidly respond to contingencies throughout the world. Also funded are the maintenance, overhaul, and calibration requirements of Navy-Type Navy-owned equipment installed on Coast Guard ships and aircraft. Additionally, this program funds the inactivation of ships, submarines, and aircraft and includes the maintenance of selected inactive ships and aircraft as well as material disposal costs.

The FY 2007 estimate of \$800.2 million includes a price increase of +\$11.8 million and program increases totaling +\$94.5 million (13.6 percent). Major program changes include:

- Increase of +\$8.8 million supports the update and replenishment of equipment and supplies for the two Navy hospital ships, USNS COMFORT and USNS MERCY;
- Increase of +\$1.7 million supports additional planned storage, inputs, and representations for the Navy aircraft inactivation program;
- Increase of +\$61.0 million supports the inactivation of the USS HYMAN G. RICKOVER and USS HONOLULU;
- Increase of +\$47.8 million supports Reactor Compartment Encapsulation/Disposal and Hull Recycling of the USS SOUTH CAROLINA;
- Decrease of -\$12.7 million for one-time FY 2006 increase to fund changes in ship status from “reduced operating status” to “full operating status” of 365 per diem days for the USNS KOCAL, USNS PHILLIPS, USNS LOPEZ, and USNS BUTTON; and
- Decrease of -\$25.8 million reflects realignment of Ship Maintenance as Navy shipyards move from Working Capital Funds to mission funding.

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Budget Activity 3: Training and Recruiting

FY 2005	(\$ in Millions)		FY 2006			FY 2007
<u>Actual</u>	<u>Price</u>	<u>Program</u>	<u>Estimate</u>	<u>Price</u>	<u>Program</u>	<u>Estimate</u>
1,987.1	+63.6	-68.3	1,982.4	+66.1	-49.2	1,999.3

The Training and Recruiting budget activity funds all centrally managed or directed individual training required to meet Navy training standards. This includes accession training, basic skills training, and professional military education provided at the Naval War College, the Naval Postgraduate School, and the Armed Forces Command and Staff College. It also includes Navy recruiting and advertising, centralized civilian training programs, and the Junior Navy Reserve Officer Training Corps (ROTC). Team training for ships of battle groups is funded in the BA 1 Operating Forces budget activity, as is all advanced and refresher flight training and aircraft carrier qualifications.

The FY 2007 budget estimate of \$1,999.3 million includes a price increase of +\$66.1 million and program decreases of -\$49.2 million (-2.5 percent). Major program changes include:

- Increase of +\$7.6 million for expanded academic programs, which includes foreign language training, at the United States Naval Academy;
- Decrease of -\$89.5 million reflects realignment of funding to the Enterprise Information Technology to reflect consolidation of Navy IT costs;
- Increase of +\$40.2 million reflects a one-time FY 2007 increase for the reversal of the one-time FY 2006 decrease in ROTC tuition and fees costs savings resulting from the adoption of the 45-day rule for paying college tuition costs;
- Increase of +\$14.3 million supports the second phase of the Revolution in Training curriculum reengineering;
- Decrease of -\$7.1 million reflects a projected decrease in the TEMDUINS requirement;
- Increase of +\$27.6 million reflects increased maintenance support requirement resulting from an increase in Navy Flight Training flying hours;
- Decrease of -\$8.4 million for various one-time FY 2006 program increases, including the Navy Professional Military Education program and various Congressional adds;
- Decrease of -\$9.0 million for support of the Navy Postgraduate School;
- Decrease of -\$3.3 million for support of various Distance Learning initiatives;
- Decrease of -\$5.9 million reflects various savings and efficiencies generated by the reengineering efforts of Revolution in Training; and
- Increase of +\$2.2 million supports the Navy Junior ROTC program.

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Budget Activity 4: Administrative and Servicewide Support

<u>(\$ in Millions)</u>						
FY 2005	Price	Program	FY 2006	Price	Program	FY 2007
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
5,057.1	+73.2	-737.3	4,392.9	+95.5	-354.0	4,134.4

The Administration and Servicewide Support budget activity funds shore based activities required for the effective operation of the Department of the Navy. The general services provided include administration and personnel support costs, engineering and acquisition support, security and investigative support, humanitarian and civic support, management of space and electronic warfare systems programs, and centralized transportation and communications costs.

The FY 2007 budget estimate of \$4,134.4 million includes a price increase of +\$95.5 million and program decreases of -\$354.0 million (-8.1 percent). Major program changes include:

- Decrease of -\$99.3 million reflects realignment of funding to the Enterprise Information Technology to reflect consolidation of Navy IT costs;
- Decrease of -\$300.9 million reflects realignment of funds from Acquisition and Program Management Activity Classified programs;
- Increase of +\$55.6 million supports Navy Marine Corps Intranet (NMCI) sustainment costs;
- Increase of +\$44 million for projected total NMCI Incentive Fees to be paid the NMCI vendor, Electronic Data Services, as part of the contract;
- Decrease of -\$69 million reflects realignment of funding for Naval Sea Systems Command non-headquarters/non-PEO civilian personnel endstrength from Planning, Engineering and Design to Ship Operational Support and Training to reflect mission more accurately;
- Increase of +\$15 million reflects a one-time FY 2007 increase for costs associated with preliminary studies, environmental impact assessment, and concept development surrounding relocation of Marine Corps from Okinawa to Guam;
- Increase of +\$7 million for DoN records management and preservation initiatives;
- One-time decrease of -\$19.7 million reverses a one-time FY 2006 Congressional increase for a Classified program;
- Decrease of -\$5.2 million for one-time FY 2006 increase to remove Defense Message System Legacy Multiplexers from Naval Installations; and
- Decrease of -\$3.1 million reflects reductions in legacy IT systems support requirements.

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MARINE CORPS

FY 2005	Price	Program	(\$ in Millions)		Price	Program	FY 2007
<u>Actual</u>	<u>Growth</u>	<u>Growth</u>	<u>FY 2006</u>	<u>Estimate</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>
6,237.9	123.5	-2,711.2	3,650.1		127.1	101.8	3,879.0

The Operation and Maintenance, Marine Corps appropriation provides the funding for Marine Corps missions, functions, activities, and facilities except for those requirements related to: procurement of major items of equipment and ammunition, military personnel, military family housing, operation and maintenance of the Marine Corps Reserve, and those functions supported by Navy appropriations, such as aviation and Departmental support.

The funds contained in this appropriation are intended primarily for the support of the total active Marine Corps Forces. The primary Marine Corps objective is to train and maintain the Operating Forces at a high level of combat readiness for service with the fleet, ashore, or for such other duties as the President may direct.

The Operating Forces supported by this appropriation are composed of Marine Expeditionary Forces (Division/Wing/Force Service Support Group Task Organizations), including a combination of combat and combat service support organizations and a variety of supporting units. Funds are also provided to support two landing force training commands, Marine detachments afloat, the security forces assigned to Naval and other government activities ashore, operations of maritime prepositioning ships, and Norway prepositioning.

Shore facilities receiving funding support from this appropriation are: three major bases; two recruit depots; eleven air installations; one Marine Corps Combat Development Command; one Marine Corps Systems Command; one Marine Corps Air-Ground Combat Center; and two Expeditionary Warfare Training Groups. These facilities are being maintained at standards that will permit effective utilization, avoid major replacement costs, and allow operation and maintenance on an economical and effective basis.

The individual training of enlisted personnel and officers from basic training to the highest Marine Corps technical training and the advanced training at schools of the other Services and at civilian institutions are funded in this appropriation. Such schooling is designed to produce highly trained and disciplined officers and enlisted personnel for duty with the Operating Forces, capable of leadership growth as well as effective performance.

MARINE CORPS

This appropriation also supports the Marine Corps supply system. The principal objective of the supply system is to provide Marine activities/units with the proper material and equipment in the quantity, condition, time, and place required. Further, it supports other miscellaneous activities such as special training, second destination transportation of things, recruiting, equipment overhaul and repair, and miscellaneous expenses.

In FY 2005, increases in world fuel market prices, along with the impact of hurricane damage on the U.S. refining industry, necessitated a significant price change, and drove an increase to the current stabilized rate of \$84.00 per barrel. The FY 2006 budget, however, only reflected funding to meet an overall composite rate of \$61.74 per barrel. Due to this significant increase in cost, the Department is requesting \$2.6 billion in the FY 2006 Global War on Terror Supplemental to fund the price growth. As a result, the FY 2007 budget requests funding to reflect the increase from \$61.74 to \$84.00. The budgeted increase is reflected as price growth, since the customer's budget does not include the funding necessary to meet the stabilized price of \$84.00 per barrel in FY 2006.

The FY 2007 O&M budget request of \$3,879.0 million reflects a net increase of \$228.9 million from the FY 2006 funding level. The change includes \$127.1 million in price growth and a \$101.8 million in program changes. The detailed explanations of the program changes are explained below:

Budget Activity 1: Operating Forces

(\$ in millions)						
FY 2005	Price	Program	FY 2006	Price	Program	FY 2007
<u>Actual</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>
4,963.6	102.1	-2,316.8	2,748.9	116.2	97.4	2,962.5

The Operating Forces budget activity is comprised of two activity groups, Expeditionary Forces and USMC Prepositioning.

The Expeditionary Forces activity group provides funding for the operating forces that constitute the Marine Corps Air-Ground Team and Marine security forces at naval installations and aboard naval vessels. The field logistics and depot maintenance programs in support of the operating forces are also funded in this activity group. In addition, base support functions for Marine Corps bases, camps, air stations and logistics bases supporting the Operating Forces; Quality-of-Life (QOL) programs such as Childcare, Youth Development and Family Service Centers; injury compensation payments; and procurement of collateral equipment required to initially outfit new military construction projects at Marine Corps bases are financed in this activity group.

MARINE CORPS

The USMC Prepositioning activity group finances the Maritime Prepositioning Forces (MPF) program, the Geographic Prepositioned Force and the Aviation Logistics Support Ships (TAVB) program.

The FY 2007 budget request of \$ 2,962.5 million for Operating Forces reflects a net increase of \$+213.6 million from the normalized FY 2006 funding level. The increase includes \$+116.2 million in price growth. Major program changes include: increase of \$+33.1 million Improved Load Bearing Equipment, Family of Ballistic Protection, Critical Low Density Secondary Repairable (5th Ech), Family of Shelters and Shelter Equipment; increase of \$+23.9 million to fund cyclical depot maintenance; increase of \$+15.6 million for first response program for medical kits, essential personnel suits, masks, and operational and maintenance costs associated with chemical and biological installation equipment; net increase of \$+19.1 million to operations, training, and USMC exercises; increase of \$+12.8 million for civilian manpower resulting from military to civilian conversions; increase of \$+12.2 million to fund facilities sustainment at 90% of DoD model; increase of \$+8.6 million in collateral equipment for expeditionary forces for the initial outfitting of military construction projects, MCB Camp Lejeune, and MCB Twenty Nine Palms; net increase of \$+6.6 million to Secondary Repairables based on requirements from Marine Operating Forces; net increase of \$+6.6 million to Unit Operations Center for life-cycle sustainment ; increase of \$+5.1 million to MARFORLANT for its redesignation and establishment as Marine Forces Command (COMMARFORCOM) in support of U.S. Joint Force Command (JFCOM); increase \$+5.3 million for Marine Corps Network Operations Security Command (MCNOSC) to support core fleet information technology, data and network capability requirements; increase of \$3.6 million to establish Marine Forces North as USMC component to U.S. Northern Command (NORTHCOM); increase of \$+3.0 million for Marine Corps Foreign Language Program; increase of \$+3.0 million to establish Marine Central Headquarters (MARCENT), expanding the unit from a Liaison Cell to a full standing operational Headquarters; increase of \$+1.5 million to prepositioning equipment and exercises; increase of \$+1.5 million to Marine Corps Intelligence Activity (MCIA) Expeditionary Support; decrease of \$-54.2 million in Restoration and Modernization.

Budget Activity 3: Training and Recruiting

(\$ in millions)						
FY 2005	Price	Program	FY 2006	Price	Program	FY 2007
<u>Actual</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>
634.0	19.5	-76.0	577.6	12.4	-1.8	588.2

The resources in this budget activity support recruiting and advertising, training and the education of Marines. Recruit training encompasses the transition from civilian life to duties as a Marine and includes an intense period of training designed to prepare the new Marine for assignment to units of the Operating Forces, major bases and stations, and duty at sea aboard vessels of the U.S. Navy.

MARINE CORPS

Officer Acquisition encompasses training candidates for appointment as commissioned officers prior to actual commissioning in the Marine Corps and Marine Corps Reserve. Nominees undergo intense courses of instruction prior to actual commissioning.

Upon completion of Officer Acquisition Training or Recruit Training, the Marine is assigned to courses of instruction to acquire the requisite skills necessary to meet the minimum requirements of a Military Occupational Specialty (MOS). For officers, this course involves completion of The Basic School at the Marine Corps Combat Development Command (MCCDC), Quantico, Virginia, and the assignment to a MOS qualifying course such as the Infantry Officer Course or the Communication Officers School. The enlisted Marine undergoes Specialized Skill Training at Marine Corps installations or at schools run by the other Services, depending on his/her designated MOS.

This budget activity also funds training support for costs associated with travel and per diem for those Marines attending Service and civilian schools away from their permanent duty stations; expenses incurred in developing a proficient recruiting force; costs for advertising media and market analysis; costs for training support equipment, audio-visual aid, computer-assisted training programs, and direct administrative support to the training management functions and the Marine Corps Institute; injury compensation payments; and procurement of collateral equipment required to initially outfit new military construction projects at Marine Corps bases. In addition, this activity provides base support and Facilities Sustainment, Restoration, and Modernization (FSRM) support to Marine Corps Recruit Depots, Marine Corps Barracks, and Marine Corps Recruiting Command.

The FY 2007 budget request of \$588.2 million for Training and Recruiting reflects a net increase of \$10.7 million from the FY 2006 funding level. The net increase includes \$12.4 million in price growth and a decrease of \$-1.8 in program changes. Major program changes in FY 2007 include an increase of \$+9.7 million for the Marine Corps Range Investment; increase of \$5.3 for Blended Seminar Distance Learning/Professional Military Education; increase of \$+1.4 million Specialized Skills (Military Occupational Specialties); decrease of \$-8.0 million in advertising; decrease of \$-13.6 of Restoration and Modernization for the C4I Net Centricity program (classified).

Budget Activity 4: Administration and Servicewide Support

(\$ in millions)						
FY 2005	Price	Program	FY 2006	Price	Program	FY 2007
<u>Actual</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>
640.2	2.0	-318.5	323.7	-1.5	6.1	328.3

MARINE CORPS

The Marine Corps-wide efforts of special support, transportation, personnel management, and headquarters base support are financed in this activity group. In addition, civilian personnel salaries and the department and staff management of Headquarters, Marine Corps are funded within this activity group.

Special Support provides funding for the support of Marine Corps prisoners confined at the Army Disciplinary Command, Fort Leavenworth, Kansas; the Marine Band located at the Marine Barracks, 8th and I Streets, Washington, DC; and Quality-of-Life (QOL) programs such as Childcare, Youth Development and Family Service Centers. Special Support also finances the administration of missions, functions and worldwide operations of the Marine Corps and Marine Security Guards. Cost of operations includes civilian personnel salaries, Defense Finance and Accounting Service (DFAS) reimbursement, automated data processing, printing and reproduction, civilian and military travel, and personnel services on a Marine Corps-wide basis.

All costs related to Second Destination Transportation of cargo to the operating forces are also funded in this activity group. Categories of transportation are: (a) Military Sealift Command for ocean cargo; (b) Inland Transportation by commercial carriers for movement between CONUS installations and ports; (c) Military Airlift Command for movement of priority cargo in support of Operating Force units; and (d) Military Traffic Management Command and commercial sources for port handling of ocean cargo.

Base operations support for Headquarters Battalion, Headquarters, Marine Corps and military personnel assigned to Headquarters, U.S. Marine Corps is funded within this activity group. Also included in this activity group are injury compensation payments and procurement of collateral equipment required to initially outfit new military construction projects at Marine Corps bases.

The FY 2007 budget request of \$328.3 million for Administration and Servicewide Activities reflects a net increase of \$4.6 million from the FY 2006 funding level. This includes a decrease of \$-1.5 million in price growth. Major program changes in FY 2007 include an increase of \$+9.1 for Marine Corps Pentagon Reservation Rent Bill; increase of \$+7.2 million for base operating costs associated with the National Museum of the Marine Corps; increase of \$+6.8 to Pentagon Reservation Maintenance Fund for Raven Rock Master Plan Renovation; decrease of \$-1.6 of Restoration and Modernization for the C4I Net Centricity program (classified); decrease of \$-15.4 million for 2nd Destination Transportation.

MARINE CORPS

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AIR FORCE

(\$ in Millions)

FY 2005	Price	Program	FY 2006	Price	Program	FY 2007
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
34,494.9	+ 1,407.2	-6,239.1	29,663.0	+1,246.6	+432.7	31,342.3

Fighting the Global War on Terror continues to be the Air Force's # 1 priority. In this endeavor, the Operation and Maintenance (O&M) appropriation is the cornerstone of Air Force Readiness. It supports the Air Force capability to develop, train, sustain, and integrate the elements of air and space power to produce core competencies in air and space superiority, global attack, rapid global mobility, precision engagement, information superiority, and agile combat support. The synergy of these competencies provides a full range of air and space capabilities to Combatant Commanders. These funds allow the Air Force to sustain, operate, and maintain aircraft, space and related weapon systems; train our personnel; operate advanced communications, command and control systems; purchase critical supplies, equipment and fuel. O&M resources directly support essential combat related activities such as intelligence, logistics, weather, air traffic control, search and rescue, reconstitution, maintenance of airfields, runways, base facilities, and improving the working and living environment of Air Force personnel.

In this FY 2007 President's Budget, the overall growth between FY 2006 and FY 2007 of \$1,679.3 million is due to \$1,246.6 million in pricing adjustments and \$432.7 million in program change. The FY 2005 Actual is based on 30 September 2005 obligations as reported by DFAS. The FY 2006 estimate is normalized to exclude war related / disaster supplemental funding, but includes all other Congressional adds and reductions based on the FY 2006 Appropriations Act (P.L. 109-359). In FY 2005, increases in world fuel market prices, along with the impact of hurricane damage on U.S. refineries, necessitated a significant price change, and drove an increase to the current stabilized rate of \$84.00 per barrel. The FY 2006 budget, however, only reflected funding to meet an overall composite rate of \$61.74 per barrel. Due to this significant increase in cost, the Department is requesting \$2.6 billion in the FY 2006 Global War on Terror Supplemental to fund the price growth. As a result, the FY 2007 budget requests funding to reflect the increase from \$61.74 to \$84.00. The budgeted increase is reflected as price growth, since the customer's budget does not include the funding necessary to meet the stabilized price of \$84.00 per barrel in FY 2006. The price change also reflects an increase in the foreign currency adjustment due to a weaker dollar in Europe and Asia and an increase in the annual civilian pay raise to 3.1% compared to the 2.3% estimate in the FY 2006 President's Budget.

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Overall Assessment:

In the current environment of diminishing resources while challenged with the oldest aircraft fleet in Air Force history, our leadership has faced the FY 2007 President's Budget head-on with the Transformation Flight Plan to ensure continued air and space dominance for tomorrow. As the O&M appropriation has been the cornerstone to Air Force readiness, it has now become the cornerstone for transformation and Air Force readiness for years to come. The O&M appropriation in this President's Budget will reflect the movement towards becoming a more lethal, agile, and balanced total force. To produce the targeted investment capital necessary for modernization and recapitalization, the FY 2007 President's Budget outlines proposed savings in readiness and personnel accounts achieved in a three-prong approach: streamlining the organizational structure, incorporating process efficiencies, and continuing force structure reductions. As we apply creative solutions, smart business practices and lean processes across the board (i.e., Air Force Smart Operations 21), the O&M appropriation will lead the way in transforming our Total Force. Though we may have to accept reasonable near-term risk, the urgent need to reinvigorate our legacy systems and infrastructure is an undeniable reality toward our Service's future viability to fly, fight, and win!

Budget Activity 1: Operating Forces

FY 2005	Price	Program	<u>(\$ in Millions)</u>	Price	Program	FY 2007
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>FY 2006</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
19,582.1	+665.2	-3,939.2	16,308.1	+725.3	+843.6	17,877.0

Operating Forces (Budget Activity 1) consists of Air Operations, Combat Related Operations, and Space Operations. These funds support fighter, bomber, and missile forces assigned to Air Force operational commands. Under this overarching mission, the Air Force accomplishes Dissimilar Aerial Combat Training, sustains combat training and ranges, and provides for base support activities. Budget Activity 1 enables global command, control, and communications; the capability to launch payloads into various orbits; and sustainment of a worldwide network of sites and terminals that transmit data gathered by satellites. Also performed under this budget activity are unique missions such as combat search and rescue; combat test and training of fighter aircraft; electronic warfare; and maintaining tactical air control systems to include the Airborne Warning and Control System (AWACS) aircraft.

AIR FORCE

Major Program Changes:

The FY 2007 Operating Forces budget request of \$17.9 billion represents a growth of \$1,568.9 million of which \$725.3 million is pricing adjustments and \$843.6 million is program change. The program increase of \$843.6 million is partially driven by: (1) B-1, B-2, B-52, F-15, and F-15E Depot Maintenance Support that includes an increase in manhours supporting additional programmed depot maintenance (PDMs) and increased engine overhauls (\$196.1 million), (2) increases to the flying hour program to reflect updated consumption estimates that include supplies and depot level reparable (\$203.7 million), (3) increases associated with the procurement of new Global Hawk UAV and its Distributed Common Ground Station (DCGS) assets (\$84.4 million), and (4) increased Space Operations requirements for counterspace operations and space control operations detailed in a separate classified exhibit, and contract support for the NAVSTAR Global Positioning System to assist with maintaining the constellation of GPS satellites (\$43.2 million). Specific program decreases include: (1) support for AF Transformation (-\$400.2 million), (2) Base Operating Support, Facilities Sustainment, and Restoration and Modernization (-\$109.4 million), (3) offset for a one-time increase in FY 2006 Advisory Training and Exercise Support (\$-10.6 million), and (4) Titan Program Termination and offset for one-time increase for Atlas Demolition (\$-35.1 million).

Budget Activity 2: Mobilization

FY 2005	Price	Program	<u>(\$ in Millions)</u>	Price	Program	FY 2007
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
4,761.6	+536.3	-1,394.4	3,903.5	+235.6	+120.4	4,259.5

Mobilization (Budget Activity 2) includes Airlift Operations, Command, Control, Communications and Intelligence (C3I), Mobilization Preparedness, and related Base Operating Support and Facilities Sustainment. Global mobility is achieved through strategic and theater airlift in support of peacetime, contingency, and wartime operations in pursuit of national objectives. Rapid movement, establishment, and sustainment of combat forces anywhere in the world to deter and defeat aggression or to provide humanitarian/peacekeeping assistance is a major instrument of US national security policy. The President, the Secretary of Defense, the Joint Chiefs of Staff, the military services and DoD agencies depend heavily on Air Force mobility operations for essential cargo and troop movement in support of missions worldwide. Success in Southwest Asia along with numerous humanitarian assistance efforts have shown the pivotal role of mobility force projection.

AIR FORCE

Major Program Changes:

The FY 2007 Mobilization budget request of \$4.3 billion represents a growth of \$356.0 million when compared against the FY 2006 normalized estimate. Of the \$356.0 million, \$235.6 is due to pricing adjustments and \$120.4 million is due to program change. Specific program highlights include increases to: (1) Contractor Logistics Support for the C-17 and C-130J for the transition from Interim Contractor Support (ICS) to Contractor Logistics Support (\$125.6 million), (2) Operational Support Airlift support of the VIP Special Airlift Mission by increased contracture services for aircraft maintenance, lease of aircraft and flight crew training (\$25.3 million), (3) War Readiness Material additional scheduled equipment shipments and reconstitution of stock levels (\$18.9 million), (4) Restoration and Modernization supporting the Air Force commitment to restore and modernize facilities in support of the DoD Strategic Planning Guidance (\$29.1 million), and (5) support the Vehicle Lease Program and supplies affecting critical mission support for aircraft maintenance, security forces and ambulance service (\$15.6 million). Program decreases include: (1) support for AF Transformation (-\$78.1 million), (2) KC-135 and C-130J Depot Maintenance support requirements decreased of software maintenance (-\$21.4 million), (3) Mobility Training decrease in requirements for aircraft and engine depot maintenance support (-\$42.5 million), and (4) AMC Command and Control System one-time decrease for airborne command, and control systems and computer server upgrades in support of the Joint Air Logistics Information System (\$-1.6 million).

Budget Activity 3: Training and Recruiting

<u>(\$ in Millions)</u>						
FY 2005	Price	Program	FY 2006	Price	Program	FY 2007
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
3,061.5	+100.1	-220.4	2,941.2	+128.2	-71.6	2,997.8

Training and Recruiting (Budget Activity 3) supports three broad mission areas: Accession Training, Basic Skills and Advanced Training, and Recruiting & Other Training and Education. Accession training produces the enlisted and officer personnel needed to meet total force requirements. Officer accessions receive formal introductory officer training through the United States Air Force Academy, Air Force Reserve Officer Training Corps, Officer Training School, and the Airmen Education and Commissioning Program. Basic Skills and Advanced Training includes specialized skill training, flight training, professional development education and training support. Specialized skill training provides training and education essential to operate, maintain, and manage complex Air Force weapon systems and the associated support structure. Flight training programs include flight screening, undergraduate pilot training, specialized undergraduate pilot training, specialized undergraduate and advanced navigator training, and pilot instructor training. Professional development education includes professional military education programs to enhance and develop critical

AIR FORCE

leadership skills of commissioned officers, civilians, and noncommissioned officers. Other training covers civilian education and training, tuition assistance for active duty personnel, and the Junior Reserve Officer Training Corps.

Major Program Changes:

The FY 2007 Training and Recruiting program of \$3.0 billion includes a \$128.2 million price increase and a program decrease of \$71.6 million. Specific program increases include: (1) Base Operations (Training) providing additional funds to fully fund food service contracts at Air Force training locations (\$20.8 million), (2) Restoration and Modernization supporting the Air Force commitment to restore and modernize facilities in support of the DoD Strategic Planning Guidance (\$10.0 million); (3) Junior ROTC Expansion from 744 units to 869 expanding contracts, travel, supplies, management and professional services (\$3.1 million), and (4) Language Programs at the United States Air Force Academy to focus on adding more language course and enhancing international program immersion (\$3.1 million). Program decreases were driven by: (1) Support to AF Transformation (-\$40.0 million), and (2) Reduction to Off-Duty and Professional Development Education based on anticipated reduced requirements (-\$2.1 million).

Budget Activity 4: Administration and Servicewide Activities

FY 2005	Price	Program	<u>(\$ in Millions)</u>	Price	Program	FY 2007
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>FY 2006</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
7,089.8	+105.6	-685.3	+6,510.1	+157.5	-459.6	6,208.0

Administration and Servicewide (Budget Activity 4) funds four broad mission areas, all integral to Air Force readiness: Logistics Operations, Servicewide Support, Security Programs, and Support to Other Nations. Logistics Operations includes cradle-to-grave acquisition and logistics support, including Readiness Spares Kits and pipeline supply requirements. It also includes inter-and intra-theater transport and handling of equipment and munitions. Servicewide Activities cut across the entire Air Force to ensure combat capabilities through communications, personnel and policy direction, and the Civil Air Patrol. Security Programs include the Air Force Office of Special Investigations and a range of classified activities. Finally, Support to Other Nations includes USAF participation in the North Atlantic Treaty Organization, Supreme Headquarters Allied Powers Europe, and the US Central Command's role in the Cooperative Defense Initiative and CINC Engagement Program with Central Asian states.

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Major Program Changes:

The FY 2007 Administration and Servicewide Program of \$6.2 billion includes a \$157.5 million price increase and a program decrease of -\$459.6 million. Specific program increases include: (1) Classified Programs (\$116.1 million), (2) Restoration and Modernization supporting the Air Force commitment to restore and modernize facilities in support of the DoD Strategic Planning Guidance (\$27.7 million), and (3) Information Services Activity Group transfer reflecting a restoral of a one-time transfer out in FY 2006 to support migration of activities in the ISAG (\$17.7 million). Program decreases include: (1) Support for AF Transformation (-\$76.9 million), (2) Military Personnel Data System (MILPDS) representing completion of testing of final MILPDS products (-\$12.3 million), (3) Defense Finance and Accounting Service charges are reduced based on adjusted unit/rate base (-\$11.2 million), (4) Environmental Compliance / Conservation and Pollution Prevention reflects reduced requirements based on execution trend with adjusted with programmatic actions (-\$8.1 million), and (5) Second Destination Transportation requirements decreased based on anticipated orders (-\$7.4 million).

OPERATION AND MAINTENANCE, DEFENSE-WIDE

(\$ in Millions)

FY 2005¹	Price	Program	FY 2006²	Price	Program	FY 2007
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
21,534.5	+651.6	-2,155.0	20,031.1	+664.7	-620.1	20,075.7

¹FY 2005 actual obligations include \$4,272 million in Title IX, Iraq Freedom Fund, Hurricane and Global War on Terrorism Supplemental Funding.

²The FY 2006 Normalized Current Estimate includes \$1,754 million prior year funds for the Hurricane Supplemental (P.L. 108-324, P.L. 109-61, and P.L. 109-62) and other prior year funds; it excludes Title IX Supplemental Funds (\$805 million, P.L. 109-148), Hurricane Supplemental III (\$25 million, P.L. 109-148), and Pandemic Influenza (\$10 million, P.L. 109-148).

This funding supports critical Department-wide functions and transformational efforts for the Secretary, Military Departments, and warfighters. It includes funding for the Special Operations Command, several Combat Support Agencies, four Intelligence Agencies, and other agencies that provide common information services, contract administration, contract audit, logistics and administrative functions to the Military Departments.

BUDGET/PROGRAM HIGHLIGHTS

Overview. A summary of the changes between FY 2006 and FY 2007 includes the following (dollars in millions):

20,031	Normalized FY 2006 Current Estimate (FY 2006 column of the FY 2007 President's Budget)
- 844	Program decrease for Hurricane Supplemental
- 910	Program decrease for prior year balances carried forward
- 337	One-time Congressional adds
+ 681	Net program changes in Defense Agencies (unclassified)
+ 360	Pricing changes in Defense Agencies (unclassified)
<u>+ 1,095</u>	Net growth in Classified programs
20,076	FY 2007 President's Budget Request

OPERATION AND MAINTENANCE, DEFENSE-WIDE

Hurricane Supplemental

- \$843.8 million Washington Headquarters Service

Prior Year Carryover of Unobligated Balances from FY 2006 to FY 2007,

Program increase of \$910.1 million in FY 2006, and a program decrease from FY 2006 to FY 2007, comprised of:

- \$896.6 million for Coalition Support payments by DSCA to key cooperating nations, such as Pakistan and Jordan;
- \$6.4 million for Department of Defense Dependents Education Activity for repairs, maintenance, and/or purchase of information technology, text books, etc., for public schools that have unusually high concentrations of special needs military dependents enrolled;
- \$.5 million for Civil Military Programs
- \$6.6 million for Classified programs

Classified Programs Major Changes

Significant growth in Classified programs, totaling \$1,095 million, is primarily in the National Intelligence Programs. (\$304 million for pricing changes and \$791 million for program changes.) The multi-year implementation of the “Strengthening Intelligence” initiative, which began in FY 2005, provides funding and full-time equivalent increases in the Intelligence Agencies. Also, restores funding for the Military Intelligence Programs of the National Security Agency.

Other Defense Agencies Programs FY 2007 Highlights

Highlights of Other Defense Agencies FY 2007 funding include:

- Pricing adjustments for: civilian pay growth; fuel increase; non-pay purchase inflation and Foreign Currency Fluctuations (various Agencies, total \$+360 million)

OPERATION AND MAINTENANCE, DEFENSE-WIDE

- Establishment of the **Business Transformation Agency (BTA)**, which merges DoD programs, systems, projects and initiatives in the areas of business process reengineering, Core Business Mission Areas, and Investment Review Board matters, as determined by the Defense Business Systems Management Committee. The BTA will establish and enforce requirements, principles, standards, systems, procedures and practices governing business transformation. (BTA, \$+179.3 million; net change to O&M,D-W, \$-2.8 million)
- Increase of direct workyears (+95) at the **Defense Contract Audit Agency (DCAA)** to maintain an adequate level of contract audit services to DoD customers. (DCAA, \$+8.9 million)
- Decreases in full time equivalencies at **Defense Contract Management Agency (DCMA)** due to declining Foreign Military Sales program and other management efficiencies (DCMA, \$-29.5 million).
- Additional resources in FY 2007 to the Defense Language Office at **Defense Human Resources Activity (DHRA)** to award 3-year grants at fifty select ROTC schools to provide the development of programs in languages that are of strategic importance. (DHRA, \$+4.4 million)
- Consolidation of Travel Management activities to streamline and centrally manage DoD commercial travel (DHRA, \$+9.4 million).
- Decreases in systems funding requirements at DHRA due to completion of modernization and training development efforts (DHRA, \$-19.1 million).
- Defense Information Systems Network (DISN) funding transfers from DISA to the Army, Air Force, Navy, US Marine Corps, and Defense Agencies to fund the customer accounts, supporting the DISN governance and new subscription rates. (DISA, \$-44.3 million)
- Efficiencies reductions to DISN, the Defense Collaboration Tool Suite, and selected programs (DISA, \$-33.8 million).
- Coalition infrastructure/CENTRIXS upgrades for European Command, Joint Forces Command, Southern Command, Pacific Command, and Central Command based on Joint Chiefs of Staff requirements. (DISA, \$+27.0 million)

OPERATION AND MAINTENANCE, DEFENSE-WIDE

- Information Systems Security Program (ISSP) improvements in network protection (SIPR and NIPR) and persistent monitoring and adds required Information Assurance training for these improvements. (DISA, \$+35.0 million)
- Improvements required to implement the Ground Distributed Network for the National (Nuclear and Senior Leadership) Command and Control (NC2). (DISA, \$+25.9 million)
- Creation of a single coherent testing program concept under the auspices of the Major Range and Test Facility Concept/Joint Interoperability and Test Center with funding consolidated in DISA RDT&E. (DISA O&M, \$-30.8 million)
- Warstoppers program increase for medical readiness and land-based systems parts and repair (**Defense Logistics Agency (DLA)**, \$+10.6 million).
- Reduction for one-time system and workload costs charged by the Defense Finance and Accounting Service Working Capital Fund (DLA, \$-10.3 million).
- Full-time equivalent manpower decrease from 259 to 235 at the **Defense Legal Services Agency (DLSA)** as a result of the progress of Guantanamo trials and reduced backlog. (DLSA, \$-4.4 million)
- Increase in funding for the **Defense Security Service (DSS)** for Personnel Security Investigations for Industry (PSI for Industry) and the National Industrial Security Program (NISP) because of increased outsourcing to private industry, the greater dissemination of intelligence, a high turnover rate in industry in technical sectors and an increase in Single Scope Background Investigations. (DSS, \$+22.8 million)
- Support of the USSTRATCOM Center for Combating Weapons of Mass Destruction and a classified program technical adjustment from RD&TE (Defense Threat Reduction Agency (DTRA), \$+10.8 million)
- Completion of modeling and simulation efforts for Homeland Defense/Homeland Security and agency relocation efforts (DTRA, \$-3.5 million)
- Anticipated school closures, declining enrollment and reduced staffing. (Department of Defense Dependents Education (DoDDE), \$-55.5 million)

OPERATION AND MAINTENANCE, DEFENSE-WIDE

- Net reduction to schoolhouse Sustainment, Restoration and Modernization (DoDDE, \$-21.0 million).
- New initiatives at the **National Defense University (NDU)** for the National Security Education Program to include an expansion of the National Flagship Language Immersion Program and creation of a Civilian Linguist Reserve Corps. (NDU, \$+17.9 million)
- Transfer of a special access program from USD(I) to classified budget (**Office of the Secretary of Defense (OSD)**, \$-18.9 million).
- The Capital Security Cost Sharing (CSCS) program bill for the Department's pro-rata share of the Department of State's maintenance and upgrades of U.S. diplomatic facilities worldwide. Congressional reduction of \$61.3 million enacted in the FY 2006 Defense Appropriation Act. (OSD, \$+126.7 million)
- A Homeland Security Operations Center, the on-site collaboration watch desk for DoD within the Department of Homeland Security (DHS) facilities. (OSD, \$+8.0M)
- E-GOV and Federal government-wide Councils to support the Department's share. (OSD, \$+4.7 million)
- Expands the **United States Special Operations Command's (USSOCOM)** capabilities to lead, plan, and coordinate global operations against international terrorist networks while improving established capabilities to respond to a wide range of national threats. The additional funding supports the increased force structure needed to train, equip, and sustain the forces, including personnel; flight, ship/boat, and other operations; intel and communications; management; depot maintenance; base support; and, training and development. These increases support 14.5 flying hours per crew per month. (SOCOM, +\$608.6 million)
- Decreases to classified program (SOCOM, \$-6.0 million).
- Reduced requirements for the 160th Special Operations Aviation Regiment detachments due to realignment of forward staged aviation units (SOCOM, \$-5.5 million).
- Increased funding for **The Joint Staff (TJS) Joint Exercise Program (JEP)** for rising fuel costs (organic and commercial) and the OMB revised estimates of crude oil purchase cost. (TJS, \$+11.2 million)

OPERATION AND MAINTENANCE, DEFENSE-WIDE

- Full scale civil military homeland defense exercises, including training for response to natural, accidental, or terrorist catastrophic events, to be conducted as part of the Chairman of the Joint Chiefs of Staff (CJCS) exercise program. (TJS, \$+2.0 million)
- Functional transfer of the Joint Knowledge Development and Distribution Capability to USJFCOM to facilitate JKDDC's integration with the Joint National Training Capability programs (TJS, \$-8.2 million).
- Increase in rent charged by the Pentagon Reservation Maintenance Revolving Fund (TJS, \$+11.5 million).
- Establishment of the National Security Labor Relations Board (NSLRB) for the National Security Personnel System (Washington Headquarters Service (WHS), \$+17.0 million)
- Increases the funding level of the Boards and Commissions Program under the **WHS** to comply with the FY 2006 Defense Authorization Act and Secretary of Defense direction to evaluating policies and providing recommendations based on studies and analysis conducted. (WHS, \$+14.0 million)

OPERATION AND MAINTENANCE, DEFENSE-WIDE

Agency	FY 2005 Actuals	Price Growth	Program Growth	FY 2006 Estimate	Price Growth	Program Growth	FY 2007 Estimate
AFIS	147,998	3,522	-5,980	145,540	3,492	1,297	150,329
BTA	0	0	0	0	0	179,255	179,255
CMP	104,719	2,513	6,301	113,533	2,498	-9,528	106,503
DAU	103,421	2,859	-1,579	104,701	2,379	-2,409	104,671
DCAA	381,227	11,544	-19,118	373,653	8,367	9,929	391,949
DCMA	1,017,597	29,727	-20,300	1,027,024	22,443	-9,170	1,040,297
DFAS	4,734	120	-563	4,291	97	-3,936	452
DHRA	363,901	9,286	34,814	408,001	9,236	-42,885	374,352
DISA	1,168,312	1,366	-151,200	1,018,478	26,676	-46,536	998,618
DLA	378,384	9,129	-53,910	333,603	5,435	-41,536	297,502
DLSA	44,035	1,102	-7,360	37,777	1,273	-3,512	35,538
DoDEA	1,985,721	87,836	-272,889	1,800,668	59,347	-131,164	1,728,851
DPMO	15,302	408	129	15,839	319	33	16,191
DSCA	1,401,058	33,623	-396,499	1,038,182	3,102	-900,812	140,472
DSS	226,806	2,616	33,616	263,038	5,557	18,464	287,059
DTRA	312,628	8,157	-5,987	314,798	7,133	-7,376	314,555
DTSA	19,399	556	1,382	21,337	441	121	21,899
NDU	93,056	2,588	-26,945	68,699	1,040	15,392	85,131
OEA	59,965	1,440	100,190	161,595	3,521	-92,095	73,021
OSD	841,338	19,904	-52,633	808,609	20,215	-80,456	748,368
TJS	515,317	-15,802	52,077	551,592	26,916	3,495	582,003
USSOCOM	3,104,545	140,326	-1,079,060	2,165,811	97,044	589,765	2,852,620
WHS	472,452	-11,798	810,118	1,270,772	53,516	-857,327	466,961
Classified	8,772,573	310,562	-1,099,554	7,983,581	304,606	790,872	9,079,059
Grand Total	21,534,488	651,584	-2,154,950	20,031,122	664,653	-620,119	20,075,656

FY 2005 actual obligations include \$4,272 million in Title IX, Iraq Freedom Fund, Hurricane and Global War on Terrorism Supplemental Funding. The FY 2006 Normalized Current Estimate includes \$1,754 million prior year funds for the Hurricane Supplemental (P.L. 108-324, P.L. 109-61, and P.L. 109-62) and other prior year carryover; it excludes Title IX Supplemental Funds (\$805 million, P.L. 109-148), Hurricane Supplemental III (\$25 million, P.L. 109-148), and Pandemic Influenza (\$10 million, P.L. 109-148).

OPERATION AND MAINTENANCE, DEFENSE-WIDE

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RESERVE FORCES

	(\$ in Millions)						
	FY 2005 <u>Actual</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2006 <u>Estimate</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2007 <u>Estimate</u>
Army Reserve	2,017.3	+52.0	-120.2	1,949.1	+54.3	+295.8	2,299.2
Navy Reserve	1,364.1	+85.2	-219.8	1,229.5	+31.2	+28.1	1,288.8
Marine Corps Reserve	200.6	+3.3	-3.7	200.2	+1.3	+10.4	211.9
Air Force Reserve	2,262.8	+128.5	+77.2	2,468.5	+152.3	+103.0	2,723.8
Army National Guard	4,872.3	+126.1	-556.9	4,441.5	+134.1	+263.1	4,838.7
Air National Guard	<u>4,551.7</u>	<u>+191.4</u>	<u>-99.6</u>	<u>4,643.5</u>	<u>+255.0</u>	<u>+437.5</u>	<u>5,336.0</u>
Total	15,268.8	+586.5	-923.0	14,932.3	+628.2	+1,137.9	16,698.4

The Operation and Maintenance (O&M) appropriations provide funding for operating the Reserve Components' forces and maintaining their assigned equipment in a state of readiness to permit rapid deployment in the event of full or partial mobilization. Reserve Component personnel maintain adequate skill levels in highly technical specialties through training during weekend drills and active duty training. Concurrently, the Reserve Components contribute significant support to a variety of Active mission areas. The FY 2007 budget request of \$16,698.4 million for the Reserve Forces includes price growth of \$628.2 million and program increases of \$1,138.5 million. Summary program data for the Reserve Components is displayed below.

Reserve Forces Program Data

	FY 2005		FY 2006		FY 2007
	<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>
Selected Reserve End Strength	821,964	+13,144	835,108	-21,869	813,239
Civilian Personnel Full-Time Equivalents (FTEs)	71,311	+5,400	76,711	+338	77,049
Military Technicians (MEMO)	(60,436)	(+5,416)	(65,852)	(+703)	(66,555)
Ship Inventory (End FY)	24	-4	20	-3	17
Steaming Hours (in 000's of hours per year)	30	-2	28	-5	23
Total Aircraft Inventory (TAI)	3,719	-92	3,627	-123	3,504
Primary Authorized Aircraft (PAA)	3,320	+18	3,338	-77	3,261
Flying Hours (in 000's of hours)	832	-33	799	+64	863

RESERVE FORCES

ARMY RESERVE

Program/Price Growth. The FY 2007 budget request for the Army Reserve increases by \$350.1 million from the FY 2006 level. This increase includes a net \$54.3 million for price growth and a net program increase of \$295.8 million.

Program Discussion. Primary program increases are for Land Forces OPTEMPO, Base Operations Support and Depot Maintenance. Other program increases include the Flying Hour Program, Aircraft Life Cycle Contract Support, Facility Strategy Investment Program, Information Management, Long Haul Communications, Medical and Dental Readiness, Army Continuing Education, Military Occupational Specialty Qualification Schools, Second Destination Transportation, Facility Sustainment, and disposal of an excess facility. Program decreases include the Extended Cold Weather Clothing System, Tactical Operations Centers, and Recruiting and Advertising. The civilian personnel increase of 94 End Strength is a result of an increase to Military Technicians.

Army Reserve Program Data

	<u>FY 2005</u>		<u>FY 2006</u>		<u>FY 2007</u>
	<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>
Total Selected Reserve End Strength	189,005	+15,995	205,000	-5,000	200,000
Civilian Personnel (FTEs)	9,531	+1,823	11,354	+94	11,448
Technicians (MEMO)	(6,512)	(+1,609)	(8,121)	(+94)	(8,215)
Total Aircraft Inventory (TAI)	148	0	148	0	148
Primary Authorized Aircraft (PAA)	152	0	152	0	152
Flying Hours (in 000's of hours)	41	-5	36	+2	38
Major Installations	4	0	4	0	4
Reserve Centers	829	+13	842	0	842

RESERVE FORCES

NAVY RESERVE

Program/Price Growth. The FY 2007 budget request for the Navy Reserve increases by \$59.3 million. This increase includes a net \$31.2 million for price growth and a net program increase of \$28.1 million.

Program Discussion. The Navy Reserve Selected Reserve end strength decreases by 969 in FY 2007 to 58,739 and civilian personnel full-time equivalents decreased to 996. The selected reserve end strength reductions are attributable to various force structure reductions including the decommissioning of two mine-hunting class ships and three Navy Reserve aviation squadrons. The decrease in Primary Aircraft Authorized (PAA) reflects the reductions from the TACAIR Integration (TAI) and Active Reserve Integration (ARI) initiatives.

Program increases include increased funds for operational spares and replacement parts for Navy Reserve ships, increased funds for use of consumable and repairable parts for all aircraft types, increased funds for aircraft inspections and special repair requirements, unfunded prior year fuel costs and increased funds for the flying hours program.

Navy Reserve Program Data

	FY 2005		FY 2006		FY 2007
	<u>Actuals</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>
Total Selected Reserve End Strength	76,473	-3,373	73,100	-1,800	71,300
Civilian Personnel (FTEs)	1,271	+77	1,348	-352	996
Total Aircraft Inventory (TAI)*	408	-42	366	-25	341
Primary Authorized Aircraft (PAA)**	200	-2	198	-15	183
Flying Hours (in 000's of hours)	99	-13	86	+22	108
Ship Inventory	24	-4	20	-3	17
Steaming Hours (in 000's of hours per year)	30	-2	28	-5	23
Reserve Centers	169	-2	160	0	153
Major Installations	6	0	6	0	6

* Total Aircraft Inventory includes aircraft flown by the Marine Corps Reserve.

** Does not include PAA for the Marine Corps Reserve.

RESERVE FORCES

MARINE CORPS RESERVE

Program/Price Growth. The FY 2007 budget request for the Marine Corps Reserve increases by \$11.7 million from the FY 2006 level. This increase includes a net \$1.3 million for price growth and a net program increase of \$10.4 million.

Program Discussion. The FY 2007 request supports manpower levels of 39,600 military end strength and 207 civilian full-time equivalents. Program increases are for Initial Issue items to include such items as New Enhanced Small Arms Protective Inserts (SAPI), improved load bearing equipment, and special purpose shelters for the operating forces, an increase in the operations and maintenance of new equipment associated with Procurement, Marine Corps (PMC) buys, an increase in Reserve Infrastructure support to maintain networking capabilities and contract service, an increase in estimated Defense Financial Accounting Service billings, and an increase in management support costs for Marine Corps Total Force Structure (MCTFS).

Marine Corps Reserve Program Data

	FY 2005		FY 2006		FY 2007
	<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>
Total Selected Reserve End Strength	39,858	-258	39,600	0	39,600
Civilian Personnel (FTEs)	182	+25	207	0	207
Primary Authorized Aircraft (PAA)*	174	-6	168	-10	158
Flying Hours (in 000's of hours)*	30	+17	47	-8	39
Divisions	1	0	1	0	1
Training Centers	187	0	187	0	187

* Flying hour funding is budgeted in Navy Reserve appropriation.

RESERVE FORCES

AIR FORCE RESERVE

Program/Price Growth. The FY 2007 budget request for the Air Force Reserve increases by \$255.3 million from the FY 2006 level. This increase includes an increase of \$152.3 million for price growth and a net program increase of \$103.0 million.

Program Discussion. The FY 2007 request provides for the operation and training of 78 flying units with accompanying 133,767 O&M funded flying hours, 435 mission support units, and the flying and mission training of 74,900 Selected Reserve personnel. Major program increases in FY 2007 include the full year impact of the unit conversion to C-5 strategic airlift aircraft that began in FY 2006; the continued transition to the C-17 associate mission along with the establishment of a new Air Force Reserve C-17 associate wing in FY 2007; additional aircrew and maintenance manpower associated with the higher crew ratio for KC-135 aircraft; Future Total Force changes in the C-130 program; and recruiting and advertising funding to meet manning and readiness requirements.

Other program increases support depot maintenance requirements as C-5 and B-52 aircraft are scheduled for Programmed Depot Maintenance (PDM) and engine repair in FY 2007; additional funding for critical/degraded facility and infrastructure restoration and modernization; and the medical training platform to maintain and sustain year round training for medical service unit personnel who deploy in support of Aerospace Expeditionary Force rotations.

Major program decreases include the reduced requirement for aircraft/engine maintenance on C-130, KC-135, and F-16 aircraft primarily due to the completion of fuel tank maintenance and center wing inspection on the C-130s in FY 2006; the annualization of the unit conversion from C-141 unit equipped aircraft to C-5s; C-5 associate decrease due to the retirement of active Air Force C-5 aircraft; and a C-17 unit equipped adjustment as manpower is transferred to support the C-17 associate program.

Air Force Reserve Program Data

	<u>FY 2005</u>		<u>FY 2006</u>		<u>FY 2007</u>
	<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>
Total Selected Reserve End Strength	75,802	-1,802	74,000	+900	74,900
Civilian Personnel (FTEs)	14,222	-39	14,183	+112	14,295
Technicians (MEMO)	(9,407)	(547)	(9,954)	(125)	(10,079)
Total Aircraft Inventory (TAI)	400	-2	398	-13	385
Primary Authorized Aircraft (PAA)	355	+4	359	-5	354
Flying Hours (in 000's of hours)	107	+23	130	+4	134
Major Installations	13	0	13	0	13

RESERVE FORCES

ARMY NATIONAL GUARD

Program/Price Growth. The FY 2007 budget request for the Army National Guard increases by \$397.8 million from the FY 2006 level. This increase includes a net \$134.1 million for price growth and a net program increase of \$263.7 million.

Program Discussion. The FY 2007 budget provides for the training and operations of 333,000 military end strength and supports an increase of 212 civilian full-time equivalents to 25,314 FTEs and civilian end strength of 27,667. Major program increases include Air OPTEMPO; Army Continuing Education; Automation; Base Communication/Audiovisual; Business Reengineering Initiative; Civil Support Teams; Civilian Personnel; Depot Maintenance; Ground OPTEMPO; and Military Support for Civil Authorities. Decreases include Base Operations Support; Information Systems; Family Programs; Printing; and Sustainment, Restoration and Modernization.

Army National Guard Program Data

	FY 2005		FY 2006		FY 2007
	<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>
Total Selected Reserve End Strength	333,177	+16,823	350,000	(17,000)	333,000
Civilian Personnel (FTEs)	22,221	+2,881	25,102	+212	25,314
Technicians (Included in FTE total)	(21,786)	(+2,788)	(24,574)	(+212)	(24,786)
Total Aircraft Inventory (TAI)	1,450	-2	1,448	-22	1,426
Primary Authorized Aircraft (PAA)	1,336	-2	1,334	-22	1,312
Flying Hours (in 000's of hours)	292	-34	258	-18	240
Total Installations *	283	0	283	0	283
Divisions (Includes Brigades below)	8	0	8	0	8
Brigades **	38	-2	36	-2	34

* Includes 110 Training Centers.

** Includes 2 in ARNG Division Redesign Study

RESERVE FORCES

AIR NATIONAL GUARD

Program/Price Growth. The FY 2007 budget request for the Air National Guard (ANG) increases by \$692.5 million. This increase includes a net \$255.0 million for price growth and a net program increase of \$437.5 million.

Program Discussion. The FY 2007 budget request supports 88 flying units, 304,000 flying hours, and 24,789 civilian full-time equivalents.

Major program changes include addition of one Predator unit; continued conversion at Hickam AFB from C-130s to an eight (8) PAA C-17 unit and will be an associate unit with ANG and Active Air Force. Active AF will own the airplanes and ANG will fund their share of technician pay and flying hours. Memphis continues its conversion from C-141s to an 8 PAA C-5 unit with the delivery of four (4) C-5s in FY 2007. Martinsburg is converting from C-130s to a 10 PAA C-5 unit with seven (7) C-5s arriving in FY 2007 and three (3) in FY 2008. The C-130 program decreases by six (6) PAA due to aircraft conversions. The ANG force structure decreases by thirty (30) PAA for Future-Total-Force (FTF) initiatives.

Other program changes are for aircraft maintenance, contractor logistics support, and facility restoration and modernization.

Air National Guard Program Data

	FY 2005		FY 2006		FY 2007
	<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>
Total Selected Reserve End Strength	106,430	+370	106,800	+200	107,000
Civilian Personnel (FTEs)	23,884	+633	24,517	+272	24,789
Technicians (MEMO)	(22,731)	(+472)	(23,203)	(+272)	(23,475)
Total Aircraft Inventory (TAI)	1,313	-46	1,267	-63	1,204
Primary Authorized Aircraft (PAA)	1,103	+24	1,127	-25	1,102
Flying Hours (in 000's of Hrs)	263	-21	242	+62	304
Major Bases	2	0	2	0	2
Number of Installations	177	0	177	-5	172

RESERVE FORCES

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Defense Health Program

	(\$ in Millions)						
	FY 2005	Price	Program	FY 2006	Price	Program	FY 2007
<u>Appropriation</u>	<u>Actual</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>
Operation & Maintenance	17,497.1	+988.3	+608.6	19,094.0	+1,150.9	+4.3	20,249.2
Procurement	368.3	+10.5	-3.5	375.3	+12.2	+8.8	396.3
Research, Development, Test, & Evaluation	<u>523.1</u>	<u>+12.1</u>	<u>+1.7</u>	<u>536.9</u>	<u>+11.8</u>	<u>-418.1</u>	<u>130.6</u>
Total Defense Health Program	18,388.5	+1,010.9	+606.8	20,006.2	+1,174.9	-405.0	20,776.1
DoD Medicare Eligible Retiree Health Care Fund (MERHCF)	<u>6,075.2</u>			<u>6,666.3</u>			<u>7,206.8</u>
Total Costs	24,463.7			26,672.5			27,982.9

*Department projection of DHP O&M receipts from the MERHCF.

The medical mission of the Department of Defense (DoD) is to enhance DOD and our Nation's security by providing health support for the full range of military operations and sustaining the health of all those entrusted to our care. The Defense Health Program (DHP) appropriation supports worldwide medical and dental services to the active forces and other eligible beneficiaries, veterinary services, medical command headquarters, graduate medical education for the training of medical personnel, and occupational and industrial health care.

The Department's managed care program, called "TRICARE," is designed to provide military families with access to quality care that is cost-effective. The TRICARE program provides medical care to about 9.2 million eligible beneficiaries through a network of 70 military inpatient facilities, 409 military medical clinics, 417 dental clinics, 259 veterinary clinics, and three regional Managed Care Support (MCS) contracts valued at about \$6.5 billion in FY 2007. The TRICARE program offers a triple option benefit: (1) TRICARE Prime, a Health Maintenance Organization (HMO) style benefit requiring beneficiary enrollment; (2) TRICARE Extra, a Preferred Provider Organization (PPO) style benefit; and (3) TRICARE Standard, a fee-for-service option.

The DoD Medicare Eligible Retiree Health Care Fund is an accrual fund to pay for DoD's share of health care costs for Medicare-eligible retirees, retiree family members and survivors. Receipts from the fund into the Defense Health Program and the Military Personnel accounts pay for the current year cost of care provided to Medicare-eligible retirees, retiree family members and survivors.

Defense Health Program

The FY 2007 Defense Health Program budget request of \$20,776.1 million includes realistic cost growth for pharmacy, managed care support contracts, and other health care services purchased from the private sector. Because the health coverage offered by the Department is so comprehensive, many private employers are dropping their employer coverage for military retirees and directing their employees to rely on TRICARE instead. To place the health benefit program on a sound fiscal basis for the long term, the Department is proposing to rebalance the share of costs between individuals and the government to approach the levels TRICARE had when the program was initiated by Congress in 1995. Further, the Department is proposing that cost shares be indexed so they will be adjusted annually for inflation.

This budget request includes savings of \$735 million for the proposed modest increases in TRICARE enrollment fees, deductibles, and pharmacy co-payments for retired military health care beneficiaries under age 65. This includes \$249 million in savings associated with the enactment of a legislative proposal to institute annual enrollment fees and increase deductibles for TRICARE Extra/Standard, as well as indexing these fees by an appropriate inflation measure. In addition, it includes \$486 million in savings associated with DoD regulation and policy changes for increased annual enrollment fees for TRICARE Prime and retail and mail order pharmacy co-payments.

Since the enactment of the TRICARE for Life benefit, an increasing number of retirees have selected TRICARE as their primary source of health insurance. The Department has budgeted to cover the increased private sector care requirements due to the increase in both users and utilization experienced over the last three years. The budget request does not include resources to support Global War on Terror requirements.

Operation & Maintenance Program (\$ in Millions)

	FY 2005	Price	Program	FY 2006	Price	Program	FY 2007
	<u>Actual</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>
O&M Total	17,497.1	+988.3	+608.6	19,094.0	+1,150.9	+4.3	20,249.2
DoD Medicare Eligible Retiree Health Care Fund (MERHCF)	<u>6,075.2</u>			<u>6,666.3</u>			<u>7,206.8</u>
Total Health Care Costs	23,572.3			25,760.3			27,456.0

*Department projection of DHP O&M receipts from the DoD MERHCF.

Defense Health Program

Program/Price Growth

The FY 2007 DHP O&M budget request of \$20,249.2 million reflects a net increase of \$1,155.2 million which includes price growth of \$1,150.9 million and a net program increase of \$4.3 million.

The net program increase of \$4.3 million includes:

Program Increases:

- \$137.9 million for military to civilian/contractor personnel in support of the department's Relieving Stress on the Force initiative,
- \$103.7 million for pharmacy program growth above general inflation,
- \$274.5 million for increased health care demands by beneficiaries,
- \$193.9 million for a one-time 1% congressional reduction in FY 2006,
- \$47.7 million for civilian pay and non-pay increases,
- \$33.9 million for increased computer system sustainment costs, and
- \$27.6 million for a one-time congressional reduction in FY 2006 for unobligated balances.

Program Decreases:

- \$735 million in savings for rebalancing the shares of costs between individuals and the government to sustain the benefit,
- \$60.1 million for one time congressional adds in FY 2006, and
- \$19.8 million for anticipated savings from Retail Pharmacy Federal Pricing Controls.

Defense Health Program

Procurement Program (\$ in Millions)

	FY 2005	Price	Program	FY 2006	Price	Program	FY 2007
	<u>Actual</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>
Medical Equipment - Replacement/Modernization	357.7	+10.1	-5.7	362.1	+11.7	+7.3	381.1
Medical Equipment - New Facility Outfitting	10.6	+0.4	+2.2	13.2	+0.5	+1.5	15.2
Total	368.3	+10.5	-3.5	375.3	+12.2	+8.8	396.3

The DHP Procurement Program funds capital equipment purchases in support of the DoD health care program in military medical treatment facilities and other health activities worldwide. It includes equipment for initial outfitting of new, expanded, or altered health care facilities. Also funded in DHP Procurement is modernization and replacement of equipment past its useful life and automation equipment (IM/IT) in support of the entire Defense Health Program.

The FY 2007 Procurement budget request of \$396.3 million is a \$21.0 million increase from the FY 2006 funding level. This reduction includes \$12.2 million in price growth and \$8.8 million in net program increase, which primarily includes increase for replacement of End User Devices.

Research, Development, Test and Evaluation (RDT&E) Program (\$ in Millions)

	FY 2005	Price	Program	FY 2006	Price	Program	FY 2007
	<u>Actual</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>
RDT&E	523.1	+12.1	+1.7	536.9	+11.8	-418.1	130.6

The DHP RDT&E program funds health care related Information Management/Information Technology development, Small Business Innovative Research (SBIR), medical laboratory research, and the Armed Forces Radiobiological Research Institute. The FY 2007 RDT&E program budget request of \$130.6 million reflects a net decrease of \$406.3 million. This includes price growth of \$11.8 million and a net program reduction of \$418.1 million, which is primarily driven by one-time congressional adds in FY 2006 totaling almost \$400 million.

DRUG INTERDICTION AND COUNTERDRUG ACTIVITIES, DEFENSE

(\$ in millions)

FY 2005 1/ <u>Actual</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2006 <u>Estimate</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2007 <u>Estimate</u>
1,147.8	+24.5	-236.3	936.1	+20.6	-29.8	926.9

Illegal drug use exacts a heavy toll on American society every year. Illegal drugs account for billions of dollars in direct and indirect costs including health care, lost revenue due to crime, social welfare costs and lost productivity. While cocaine continues to be the single most serious drug threat, heroin, synthetic drugs, methamphetamines, and marijuana are also serious. Additionally, there are clear linkages between international narcotics trafficking and international terrorism. Global and regional terrorists threatening United States' interests can finance their activities with the proceeds from narcotics trafficking.

The Drug Interdiction and Counterdrug Activities, Defense, appropriation is a central transfer account used to fund the Department's Counternarcotics (CN) Program. The Department of Defense (DoD) uses these resources to finance CN activities that fulfill its statutory responsibilities, use military-unique resources and capabilities, and advance the national priorities of the National Drug Control Strategy. DoD uses its counternarcotics authorities and funding to support efforts in the war on terrorism to implement the Department's Security Cooperation Guidance. The account provides inherent flexibility for the Department's CN program to respond effectively to the dynamic nature of the drug threat. It covers all CN resources with the exception of those resources for the Active components' military personnel, Service OPTEMPO, and military construction. The Services budget for the OPTEMPO portion of the program in their Operation & Maintenance appropriations.

In support of the National Drug Control Strategy and the U.S. Government's international and multi-agency approach to counter the flow of illegal drugs into the U.S., Congress authorized DoD to perform:

- mandatory counternarcotics detection and monitoring missions;
- DoD drug demand reduction activities;
- permissive counternarcotics support to domestic and host nation law enforcement and/or military forces; and
- other counternarcotics missions that support the war on terrorism, readiness, national security, and security cooperation goals.

DoD carries out these missions by:

- acting as the single lead federal agency to detect and monitor the aerial and maritime transit of illegal drugs toward the U.S.;
- collecting, analyzing and disseminating intelligence on drug activity;
- providing training for U.S. and foreign drug law enforcement agencies and foreign military forces with drug enforcement responsibilities; and

DRUG INTERDICTION AND COUNTERDRUG ACTIVITIES, DEFENSE

- approving and funding Governors' State Plans for National Guard use, when not in federal service, to support drug interdiction and other counternarcotics activities, as authorized by state laws.

While the DoD carries out drug demand reduction programs consistent with the first national counternarcotics priority to maintain the Armed Forces as an effective fighting force, most of its activities combat drug activity and, incidentally, the movement of other threats to the U.S., its friends and allies. DoD executes drug detection and monitoring and other programs using military command, control, communications and intelligence resources, as well as military operational planning capabilities. The Demand Reduction, Domestic Support and International Support counter-narcoterrorism policies are built upon this general policy. Accordingly, DoD will focus on counternarcotics activities that will contribute to:

- The war on terrorism;
- Security Cooperation Guidance;
- Military readiness; and
- National Security.

Narrative Explanation of Changes:

The Department's CTA program request of \$926.9 million for FY 2007 for the Central Transfer Account reflects price growth of \$20.6 million and a program decrease of \$29.8 million over the FY 2006 level of \$936.1 million, primarily because of one-time FY 2006 congressional increases to the Department's counter-narcoterrorism program. The Department's FY 2007 counter-narcoterrorism budget will continue to fund, within fiscal constraints, an array of effective programs that support the National Drug Control Strategy and Department goals. Four mission areas encompass the scope of the Department's program. These mission areas are:

- **DEMAND REDUCTION (\$134.2M)**: The Department has assimilated the President's goal of a 25% reduction in drug use over three years into its strategic plan. The approach emphasizes prevention of drug use through pre-accession and random drug testing, anti-drug education and treatment. Emphasis is placed on deterring drug use through cost effective drug testing with punitive consequences for members who are identified as drug users.

A total of \$20.4 million is for the National Guard State Plans and Service outreach programs, and the Young Marines outreach program, and \$113.9 million is for the continued support of DoD Demand Reduction Programs. These funds support drug testing for active duty military, National Guard and Reserve personnel, and DoD civilian employees; drug abuse prevention/education activities for military and civilian personnel and their dependents; and drug treatment for military personnel.

- **DOMESTIC SUPPORT (\$205.7M)**: In light of the conflicts in Iraq and Afghanistan and the Department's continuing global war against terror, DoD will limit its domestic contributions to the war on drugs to those functions that are militarily unique and benefit the Department's primary missions. Domestic support includes translation, intelligence, communications, aerial and

DRUG INTERDICTION AND COUNTERDRUG ACTIVITIES, DEFENSE

ground reconnaissance, transportation, border fence and road construction, eradication (excluding contraband destruction), and training. Additionally, the Department committed to improving information sharing between DoD and law enforcement agencies in support of counter-narcoterrorism objectives.

This funding supports federal, state and local drug law enforcement agencies (DLEAs) requests for domestic operational and logistical support, and will assist the DLEAs in their efforts to reduce drug-related crime. Of this amount, \$156.4 million is for a portion of the total National Guard State Plans that supports domestic law enforcement efforts and the counter-narcoterrorism schools; \$15.5 million is for Domestic Operational Support, such as US Northern Command (NORTHCOM) counter-narcoterrorism support to DLEAs and Title 10 National Guard translation efforts; and \$34.2 million is for domestic detection and monitoring efforts (Tethered Aerostats).

- **INTELLIGENCE, TECHNOLOGY AND OTHER (\$151.0M)**: DoD will continue to provide critical intelligence support to national policies designed to dismantle narcotics trafficking and international terrorist organizations benefiting from drug trafficking. Most of the collection and analysis is unique, and is essential to the national and international efforts. The use of new technology continues to be instrumental in combating narcoterrorist activities. DoD will continue to test, evaluate, develop and deploy technologies that are used to collect and survey suspect narcoterrorist smuggling operations in air, land, or sea.

Intelligence programs collect, process, analyze, and disseminate information required for counter-narcoterrorism operations. Technology programs increase the Department's abilities to target narco-terrorist activity. A total of \$88.4 million is for counter-narcoterrorism intelligence support and analysis; \$23.0 million is for signal intelligence (SIGINT) collection and processing; \$12.0 million is for Service and SOCOM command and control programs; and \$20.8 million is for CN Technology efforts.

- **INTERNATIONAL SUPPORT (\$436.0M)**: DoD has expanded its counternarcotics mission to include targeting those terrorists groups worldwide that use narcotics trafficking to support terrorist activities. In order to support the war on terrorism, DoD will use its resources in regions where terrorists benefit from illicit drug revenue or use drug smuggling systems.

Counter-narcoterrorism programs support efforts in the U.S. Central Command, U.S. Southern Command, U.S. Pacific Command, and U.S. European Command Area of Responsibilities (AORs) to detect, interdict, disrupt or curtail activities related to substances, material, weapons or resources used to finance, support, secure, cultivate, process or transport illegal drugs. \$203.5 million supports operations in these AORs, including Section 1033 support; \$177.9 million is for detection and monitoring platforms and assets; and \$54.6 million is for AOR Command and Control support, including operations of Joint-Interagency Task Forces West and South.

1/ FY 2005 value displayed includes Supplemental funding for Afghanistan (\$242 million).

DRUG INTERDICTION AND COUNTERDRUG ACTIVITIES, DEFENSE

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ENVIRONMENTAL RESTORATION (ER) TRANSFER APPROPRIATIONS

	(\$ in millions)						
	FY 2005	Price	Program	FY 2006	Price	Program	FY 2007
	<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
Total Environmental Restoration	1,348.2	32.4	6.8	1,387.4	30.5	-14.7	1,403.3

The Department's Environmental Restoration program focuses on reducing the risks to human health and the environment at active installations and Formerly Used Defense Sites (FUDS), while ensuring that DoD environmental cleanup policy conforms to existing laws and regulations. The DoD Environmental Restoration appropriations provide for: the identification, investigation, and cleanup of past contamination prior to 1986 from hazardous substances and wastes, and contamination prior to FY 2003 from unexploded ordnance (UXO), discarded military munitions, and munitions constituents at other than operational ranges; correction of other environmental damage; and the demolition and removal of unsafe buildings, structures, and debris. The program reduction of \$14.7 million primarily consists of the discontinuance of a one-time congressional increase to the FUDS account in FY 2006 and the exclusion of the Defense Logistics Agency's stockpile sites that are not eligible for environmental restoration funding and, therefore, no longer reported as part of the environmental restoration program.

ENVIRONMENTAL RESTORATION (ER) TRANSFER APPROPRIATIONS

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FORMER SOVIET UNION THREAT REDUCTION

FY 2005	Price	Program	(\$ in millions)	Price	Program	FY 2007
<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>FY 2006</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
407.9	+9.7	-7.2	410.4	+9.0	-47.3	372.1

The FY 2007 budget contains \$372.1 million to dismantle delivery systems and prevent the proliferation of weapons of mass destruction in Former Soviet Union (FSU) countries. The budget request decreased by \$38.3 million from the FY 2006 funding level. This includes \$9.0 million for price growth and a net program decrease of \$47.3 million. Programs with decreased funding include Chemical Weapons Destruction (\$-68.2 million), Weapons of Mass Destruction (WMD) Proliferation Prevention (\$-4.0 million), Strategic Nuclear Arms Elimination (\$-1.1 million), and Defense and Military Contacts (\$-.1 million). Programs with increased funding include Strategic Offensive Arms Elimination (\$+12.9 million), Weapons Storage Security (\$+1.1 million), Weapons Transportation Security (\$+2.3 million), Biological Weapons (BW) Proliferation Prevention (\$6.2 million) and Other Programs (\$+3.6 million). The following table shows price and program changes from FY 2005 to FY 2007 for the major programs:

	(\$ in millions)						
	FY 2005	Price	Program	FY 2006	Price	Program	FY 2007
	<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Current</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
Strategic Offensive Arms Elimination - Russia	52.5	1.3	8.9	62.7	1.4	12.9	77.0
Strategic Nuclear Arms Elimination – Ukraine	-	-	1.1	1.1	-	-1.1	-
Weapons Storage Security – Russia	73.9	1.8	8.4	84.1	1.9	1.1	87.1
Weapons Transportation Security – Russia	-	-	30.0	30.0	.7	2.3	33.0
Chemical Weapons Destruction – Russia	157.9	3.8	-53.2	108.5	2.4	-68.2	42.7
Chemical Weapons Destruction – Albania	6.8	-	-6.8	-	-	-	-
BW Proliferation Prevention – FSU	68.7	1.6	-9.5	60.8	1.3	6.2	68.3
WMD Proliferation Prevention – FSU	36.7	.9	3.0	40.6	.9	-4.0	37.5
Defense and Military Contacts	8.0	.2	-.2	8.0	.1	-.1	8.0
Other Program Support	3.4	.1	11.1	14.6	.3	3.6	18.5
Total	407.9	9.7	-7.2	410.4	9.0	-47.3	372.1

The activities for the Former Soviet Union (FSU) Threat Reduction program for FY 2007 are as follows:

FORMER SOVIET UNION THREAT REDUCTION

Strategic Offensive and Nuclear Arms Elimination - Russia/Ukraine:

- Decommission 5 road mobile ICBM regiments;
- Eliminate 16 liquid fueled ICBM missile launchers;
- Supports the storage of 163 solid rocket motors - Ukraine;
- Transport, dismantle, and eliminate 89 liquid and/or solid fueled ICBMs and SLBMs.

Nuclear Weapons Storage and Transportation Security - Russia:

- Enhances the security, safety, control and accounting of up to 8 nuclear weapons storage sites identified by MOD;
- Supports movement and consolidation of nuclear weapons from Russian MOD operational sites to weapons dismantlement or secure storage facilities (funds 48 trainloads of deactivated nuclear warheads);
- Continue to procure up to 100 cargo rail cars that support the transportation of nuclear weapons to dismantlement or secure storage facilities.

Biological Weapons (BW) Proliferation Prevention - FSU:

- Consolidates and secures or eliminate dangerous pathogen collections at six institutes;
- Targets collaborative research to encourage higher standards of openness, ethics, and conduct at the scientist level, and preempt potential “brain drain” of scientists to rogue states;
- Provides for central reference laboratory in Georgia.

Chemical Weapons (CW) Destruction - Russia:

- Completes equipment installation, systemization, and training program for operating personnel at the CW destruction facility at Shchuch’ye; and facilitates the Transfer of Custody to the Russian Federation.

Weapons of Mass Destruction Proliferation Prevention - FSU:

- Enhances the capability of non-Russian FSU military, internal security forces, border guards and customs in Ukraine, Kazakhstan, Azerbaijan, Uzbekistan, and Moldova to deter, detect, interdict illicit trafficking in WMD and related materials across borders and respond to WMD incidents at the borders and in country;
- FY 2007 funds will provide equipment, training, infrastructure and logistical support to these forces.

Defense and Military Contacts – FSU:

- Supports interaction between U.S. and FSU military forces to promote military reform and WMD nonproliferation (funds approximately 258 defense and military exchanges).

Other Program Support - FSU:

- Supports program to ensure CTR assistance is fully accounted for, used for the intended purpose effectively and efficiently;
- Maintains in-country support for the CTR program at six U.S. embassies;
- Provides non-government technical assistance to DoD.

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(\$ in Millions)

FY 2005 <u>Actual</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2006 <u>Estimate</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2007 <u>Estimate</u>
198.3	+4.3	+6.4	209.0	+4.7	+2.6	216.3

The Office of Inspector General (OIG) audits and investigates the programs and operations of the Department of Defense (DoD). The OIG also recommends policies and conducts activities to promote economy, efficiency, and effectiveness in DoD programs and operations by preventing and detecting fraud, waste and abuse. For the last three years, the OIG has achieved \$7.7 billion in savings and \$1.7 billion in recovery for the nation. The Inspector General is the only DoD Officer qualified to issue opinions on the financial statements of the Department of Defense. The OIG also informs DoD management and Congress about the problems and deficiencies in programs and operations and the progress of corrective actions.

The FY 2007 budget includes \$216.3 million for the OIG, an increase of \$7.3 million over the FY 2006 level. The increase is composed of \$+4.3 million for program increases for planned replacement cycle equipment purchases and personnel costs after the National Security Personnel System (NSPS) implementation and program decreases of \$-1.7 million for renewal of Microsoft Licenses and OIG employee training for NSPS implementation. Civilian full-time equivalents (FTEs) decreased by 18 to 1,403 FTEs in FY 2007 to support the within-grade buy in of civilians as the OIG agency converts to pay banding under the NSPS. Additional program growth in civilian pay and compensation is a result of increased employer contribution to benefits as the workforce's primary retirement plan shifts from the Civil Service Retirement System (CSRS) to the Federal Employee Retirement System (FERS). The OIG expects to realize continued growth in this area as the CSRS workforce retires and is replaced with FERS employees.

The budget includes funds to support the Department's goal of achieving auditable financial statements (\$34.7 million), other audit missions (\$58.6 million), investigations (\$68.5 million), policy and oversight (\$10.1 million), intelligence audits (\$4.4 million), plus administrative costs (\$38.7 million), and procurement (\$1.4 million).

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OVERSEAS CONTINGENCY OPERATIONS TRANSFER FUND

FY 2005	Price	Program	(\$ in Millions)	Price	Program	FY 2007
<u>Actual</u>	<u>Growth</u>	<u>Growth</u>	<u>FY 2006</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>
10.0	-	-	0	-	-	10.0

The Overseas Contingency Operations Transfer Fund (OCOTF) was established by the FY 1997 Department of Defense Appropriations Act to meet operational requirements in support of emerging contingency operations without disrupting approved program execution or force readiness. The OCOTF was established as a “no year” transfer account in order to provide additional flexibility to meet operational requirements by transferring the funding to the Military Components based on actual execution experience as events unfold during the year of execution. Between the fiscal years 1997 and 2001, the Department had been appropriated funds into the OCOTF to finance contingency operations that are so variable in their scope, duration, intensity they cannot be financed via DoD Component appropriations without causing a readiness impact.

Beginning in FY 2002, funds to finance the incremental cost of contingency operations in Bosnia, Kosovo, and Southwest Asia were included in the Services accounts vice the OCOTF because these operations had become stable enough to budget in the Component’s baseline appropriations. Therefore, in FY 2002, \$2,665.8 million was transferred from the OCOTF to the Components’ budgets.

The Department is requesting \$10 million in additional funds for FY 2007. The OCOTF is a permanent appropriation to be used only to finance contingency operations. New contingency requirements continually surface due to the dynamic international situation. The Military Departments, because of their relatively large Operation and Maintenance (O&M) accounts, are generally able to accommodate these new costs for a short time until other funding is available. However, the Defense Agencies, most notably the U.S. Special Operations Command (USSOCOM), and the combat support Defense Agencies, are less able to absorb the diversion of funds for these unforeseen contingency operations, making a small contingency fund vitally important.

OVERSEAS CONTINGENCY OPERATIONS TRANSFER FUND

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OVERSEAS HUMANITARIAN, DISASTER, AND CIVIC AID

(\$ in Millions)						
FY 2005 <u>Actual</u> [*]	Price <u>Growth</u>	Program <u>Growth</u>	FY 2006 <u>Estimate</u>	Price <u>Growth</u>	Program <u>Growth</u>	FY 2007 <u>Estimate</u>
175.8	+1.3	-116.3	60.8	+1.3	+1.1	63.2

* Includes \$36.0 million that was appropriated in the Supplemental for Defense, Global War on Terror, and Tsunami Relief, 2005 (P.L. 109-13).

The Overseas Humanitarian, Disaster and Civic Aid (OHDACA) program includes three segments: the Humanitarian Mine Action Program, the Humanitarian Assistance Program, and Foreign Disaster Relief Assistance. In broad terms, OHDACA programs support U.S. military forces in meeting two key requirements. The first is to maintain a robust overseas presence aimed at shaping the international security environment in a manner that deters would-be aggressors, strengthens friends and allies, and promotes peace and stability in regions of tension. The second requirement is for U.S. forces to respond effectively when called upon to assist the victims of storms, earthquakes, and other natural or manmade disasters. An excellent example is the 2005 Tsunami relief effort (Operation Unified Assistance) responding to humanitarian needs in the Indian Ocean area.

The OHDACA programs meet these needs by providing the regional Combatant Commanders (CoCom) with an unobtrusive, low cost, but highly effective vehicle to carry out their peacetime engagement missions, while providing a valuable training benefit for U.S. troops. Furthermore, OHDACA augments the CoCom capabilities to respond rapidly and effectively to humanitarian crises. In providing relief to areas of need, the U.S. military gains substantial training benefits and obtains access to regions important to U.S. interests. The OHDACA programs enhance readiness across a number of operational areas including: command, control, communication and intelligence (C3I); civil affairs; and logistical support.

The programs conducted under OHDACA are coordinated with the Department of State and approved by the Office of the Secretary of Defense to ensure U.S. Government (USG) unity of effort and compliance with national security and foreign policy interests. In the process of carrying out these activities, a small amount of funding efficiently fosters multiple USG goals.

OVERSEAS HUMANITARIAN, DISASTER, AND CIVIC AID

The FY 2007 OHDACA budget request is \$63.2 million. The FY 2007 level represents an increase of \$2.4 million from the FY 2006 planned program (\$60.8 million). The details, by major category, are described below:

Humanitarian Mine Action Program and Funding

	(\$ in Millions)		
	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Total Program	10.0	10.0	10.0

The **Humanitarian Mine Action Program** requirement of \$10.0 million will support the geographical CoCom planned humanitarian demining activities. These CoCom plans include: assessments of newly designated countries; ongoing worldwide training operations; incremental funding of high-priority, emerging operations; and evaluations of current programs to determine if projected “end states” have been met.

Humanitarian Assistance Program and Funding

	(\$ in Millions)		
	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Total Program	155.8	40.8	43.2

The **Humanitarian Assistance Program** FY 2007 requirements of \$43.2 million include: transportation; provision of excess property; and other targeted assistance for disaster preparedness and mitigation. Funding also provides for acquisition, provision, and distribution of relief supplies; acquisition and shipment of transportation assets to assist in distribution; refurbishment and restoration of excess Defense equipment; and inspection, packaging and intermediary warehouse storage until excess items can be delivered.

OVERSEAS HUMANITARIAN, DISASTER, AND CIVIC AID

Foreign Disaster Relief Assistance/Emergency Response Funding

	<u>(\$ in Millions)</u>		
	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Total Program	10.0	10.0	10.0

The Foreign Disaster Relief Assistance/Emergency Response estimate for FY 2007 is \$10 million. This funding supports the capacity of the Department, through the CoComs, to respond to natural and manmade disasters and to the humanitarian aspects of security crises. Among the activities covered by this item are transportation of emergency assistance during foreign disasters and programs to prepare for such activities. The emergency response program includes transportation, logistical support, search and rescue, medical evacuation, and refugee assistance, in the form of both supplies and services. Projects also include those that assist Non-Government Organizations (NGO) and recipient countries in building capabilities to respond to emergencies building this capability reduces the potential need for United States military involvement in future crisis response.

OVERSEAS HUMANITARIAN, DISASTER, AND CIVIC AID

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SUPPORT FOR INTERNATIONAL SPORTING COMPETITIONS, DEFENSE

<u>(\$ in Millions)</u>						
FY 2005	Price	Program	FY 2006	Price	Program	FY 2007
<u>Actual</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate*</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate*</u>
1.2	-	-0.7	0.5	-	-0.5	0.0

* Represents anticipated obligations.

The Support for International Sporting Competitions (SISC), Defense appropriation is a no-year appropriation that provides for continuing Department of Defense (DoD) support to international and special events that are certified by the Attorney General. Funds are still available from the FY 2003 DoD Appropriations Act (P.L. 107-248).

The Department is not requesting funds for FY 2007. The amount represented in the above table is total projected obligation, not Budget Authority. The current account balance in the SISC account is \$26.6 million, which is available until expended.

These funds are available to fund safety, security and logistical requirements for special events. Under the authority of 10 U.S.C., section 2564, the Department has the authority to assist Federal, State or local agencies in support of civilian sporting events, if the Attorney General certifies that such assistance is necessary to meet essential security and safety needs. The DoD provides this support through the SISC appropriation only as a supplier of last resort while ensuring that no degradation to readiness results from this effort. Such support is essential to the national responsibility of ensuring the safety of competitors participating and visitors attending these events.

The Department plans to use SISC funds in FY 2007 for support for international sporting competitions to include physical security, aviation, communications, explosive ordnance disposal, temporary facilities, related equipment, and the manpower costs associated with these requirements. In accordance with 10 U.S.C., section 2564, the Department will notify the congressional oversight committees 45 days prior to obligation of SISC funds of the programs and activities to be financed.

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IRAQ FREEDOM FUND

FY 2005	Price	Program	(\$ in Millions)	Price	Program	FY 2007
<u>Actual*</u>	<u>Growth</u>	<u>Growth</u>	<u>FY 2006</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>
3,800.0	-	-3,800.0	-	-	-	-

* The FY 2005 Actual column includes \$3,800.0 million of Title IX funds. FY 2006 Estimate does not include Supplemental funding of \$4,558.7 million.

The Iraq Freedom Fund (IFF) was initially established in Public Law 108-11, the Emergency Wartime Supplemental Appropriations Act for Fiscal Year (FY) 2003. In that legislation, Congress provided \$15,678.9 million in a special transfer account for the additional expenses of the ongoing military operations in Iraq and other operations and activities supporting the global war on terrorism. The funds may be used to finance the estimated partial costs of combat, stability operations, force reconstitution, replacement of munitions and equipment and other costs. The IFF is a two-year account with special transfer authority that provides flexibility to meet operational requirements. As unanticipated costs associated with the war on terrorism emerge, the Secretary of Defense may decide to finance those requirements through IFF resources. The Department must notify the congressional defense committees in writing not fewer than five days prior to making transfers from the IFF. Following the notification period, the Secretary may transfer funds from the IFF to the Components' appropriations.

Public Law 108-106, the Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan for FY 2004, provided \$1,988.6 million in the FY 2004/FY 2005 Iraq Freedom Fund. These funds were used for the same purposes as the first IFF account with the exception that no funds were available to be transferred funds to the research, development, test and evaluation appropriations.

The Congress appropriated \$25.0 billion in the FY 2005 Defense Appropriations Act (P.L. 108-287), Title IX, war reserve contingency. The FY 2004/2005/2006 IFF is a three year transfer account with special transfer authority and was provided \$3.8 billion of the Title IX funds.

IRAQ FREEDOM FUND

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AIR OPERATIONS

	(\$ in millions)						
	FY 2005 <u>Actual</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2006 <u>Estimate</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2007 <u>Estimate</u>
Army	1,049.5	+24.5	-111.5	962.7	+44.6	-17.7	989.6
Army Reserve	31.1	+1.1	+4.7	36.9	+1.0	+9.4	47.3
Army National Guard	366.7	+.1	-56.8	310.0	+1.0	+26.4	337.4
Navy	7,065.8	+381.7	-1,255.1	6,192.4	+439.0	-20.4	6,611.0
Navy Reserve	710.1	+56.4	-97.3	669.2	+55.3	+17.3	741.8
Air Force	17,569.7	+1,058.3	-2,850.2	15,777.8	+868.0	+992.4	17,638.2
Air Force Reserve	1,720.7	+113.6	+201.2	2,035.5	+140.6	+85.1	2,261.2
Air National Guard	3,844.7	+173.2	-48.1	3,969.8	+239.2	+340.8	4,459.8
USSOCOM	<u>757.6</u>	<u>+30.5</u>	<u>-106.7</u>	<u>681.4</u>	<u>+57.5</u>	<u>+95.4</u>	<u>834.3</u>
Total	33,116.1	1,839.4	-4,319.8	30,635.7	+1,846.2	+1,528.7	34,010.6

NOTE: FY 2005 actuals include Supplemental funding.

To operate, to maintain, and to deploy aviation forces that support the national military strategy, the Air Operations activity funds the following activities: (1) day-to-day operational activities or air operations; (2) organizational, intermediate, and depot level maintenance; (3) institutional training; unit training and operational training; and (4) engineering and logistical support.

The FY 2007 budget request of \$34,010.6 million reflects a net increase of \$4,110.0 million above the FY 2006 estimate. This includes price growth of \$1,814.6 million and a net program increase of \$2,295.4 million.

ACTIVE ARMY

The Army's Land Forces Air Operations funds the combat major commands (MACOMs), as well as several other agencies and commands. The FY 2007 Flying Hour Program funds rotary wing aircraft at the average operating tempo (OPTEMPO) of 11.6 hours per crew per month. The program includes fuel, consumable parts, and depot level repair parts to maintain the fleet.

The Land Forces Air Operations includes flying hours for the following programs:

- Drug Interdiction and Counter-Drug activities,

AIR OPERATIONS

- Combat Aviation Training Brigade at Fort Hood (the Army’s collective trainer for the AH-64D Apache Longbow program),
- Combat Training Center support (National Training Center),
- Joint Readiness Training Center,
- Combat Maneuver Training Center), and
- Several other smaller units.

The Land Forces Air Operations program also funds flying hours for fixed wing aircraft in intelligence, command, and theater aviation units as well as the hours for the training of pilots associated with Training Support XXI (Training Support Brigades), Reserve Officers Training Corps (ROTC) program, Multi-Force Operations, and European Command (EUCOM) Headquarters.

The Army’s Flight Training program supports the Army’s flight training program at Fort Rucker (Initial Entry Rotary Wing courses through Advanced Pilot Training) which includes Flight School XXI (FSXXI). Also funded is the flight training programs at the Intelligence School at Fort Huachuca, the Infantry School at Fort Benning, and the Transportation Training Center at Ft. Eustis. It also funds flying hours for the non-training fleet in the Training and Doctrine Command and flying hours at the United States Military Academy.

The Servicewide Support program funds flying hours to support a small contingent of Army aircraft at the Army Materiel Command’s (AMC) Corpus Christi Army Depot and at the Aviation and the Army Missile Command (AMCOM).

	<u>(\$ in millions)</u>						
<u>Funding Summary</u>	<u>FY 2005</u>	<u>Price</u>	<u>Program</u>	<u>FY 2006</u>	<u>Price</u>	<u>Program</u>	<u>FY 2007</u>
	<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
Land Forces Air Operations	529.0	+18.0	-116.0	431.0	+23.0	+110.0	564.0
Depot Maintenance	303.7	+1.5	-46.5	258.7	+11.6	-126.7	143.6
Flight Training	216.0	+5.0	+51.0	272.0	+10.0	-1.0	281.0
Servicewide Support	<u>1.0</u>	<u>-</u>	<u>-</u>	<u>1.0</u>	<u>-</u>	<u>-</u>	<u>1.0</u>
Total	1,049.7	+24.5	-111.5	962.7	+44.6	-17.7	989.6

AIR OPERATIONS

Program Data	FY 2005	Change	FY 2006	Change	FY 2007
	Actual		Estimate		Estimate
Primary Authorized Aircraft	2,139	-15	2,124	+91	2,215
Total Aircraft Inventory	2,701	-53	2,648	+60	2,708
Flying Hours (000)*	682.2	-219.3	462.9	+11.6	474.5
Percent Executed	108%	N/A	N/A	N/A	N/A
OPTEMPO (Hrs/Crew/Month) *					
Rotary Wing	16.4	-4.8	11.6	-	11.6

*FY 2005 executed flying hours and OPTEMPO include contingency operations (i.e., Operation Iraqi Freedom).

The FY 2007 budget request reflects a net increase of \$26.9 million above the FY 2006 level. This includes a price increase of \$44.6 million and a program decrease of \$-17.7 million.

Land Force Air Operations: The FY 2007 flying hour program supports an average OPTEMPO of 11.6 hours per crew per month. The FY 2007 budget request increases \$133 million from the FY 2006 level, with a price increase of \$23 million and a program increase of \$110 million. The FY 2007 program increase includes: increased repair costs and changing the mix of helicopters as the Army replaces low cost Vietnam era aircraft with higher cost modernized aircraft that have increased capability.

Depot Maintenance: The FY 2007 budget request reflects a net decrease of \$115 million from the FY 2006 level. The net decrease consists of a price increase of \$11 million and a program decrease of \$127 million. The program decrease is the result of reduced requirements associated with 15 helicopter crash damages and the reduction of the 13 UH-60A helicopters under the RECAP program.

Flight Training: The FY 2007 budget request increases \$9 million above the FY 2006 level and reflects a price increase of \$10 million and a minor program decrease of \$-1 million.

Service-wide Support: The FY 2007 budget request reflects a relatively steady program.

AIR OPERATIONS

ARMY RESERVE

The Army Reserve's Training Operations fund aviation training and operational requirements. The program includes fuel, consumable repair parts, and depot level repair parts to maintain the fleet. The program supports both unit training and operations. The Army Reserve's fixed wing and rotary wing units support the requirements of the warfighting Combatant Commanders. The Reserve fixed wing aircraft are an integral part of the military operational mission support airlift system.

	(\$ in millions)						
<u>Funding Summary</u>	FY 2005	Price	Program	FY 2006	Price	Program	FY 2007
	<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
Training Operations	31.1	+1.1	+4.7	36.9	+1.0	+9.4	47.3
<u>Program Data</u>	FY 2005			FY 2006			FY 2007
	<u>Actual</u>		<u>Change</u>	<u>Estimate</u>		<u>Change</u>	<u>Estimate</u>
Primary Authorized Aircraft	108		-	108		-	108
Total Aircraft Inventory (TAI)	108		-	108		-	108
Flying Hours (000)							
Rotary	13.7		-4.4	9.3		+2.1	11.4
Fixed	27.4		-1.0	26.4		+0.1	26.5
Total	41.1		-5.4	35.7		+2.2	37.9
OPTEMPO:							
Rotary (Hours/Crew/Month)	6.6		-1.5	5.1		+1.1	6.2
Fixed (Aircraft Hours/Month)	57.1		-2.1	55.0		-	55.0

The FY 2007 budget request reflects a net increase of \$10 million. This includes a price increase of \$1.0 million and a program increase of \$9.4 million (+25 percent), which reflects increased rotary wing cost factors.

AIR OPERATIONS

ARMY NATIONAL GUARD

The Army National Guard's Training Operations program provides for training aircrew members, aviation units, and supported combined arms teams to achieve and sustain designated combat readiness. Resources support the utilization, maintenance, and overhaul of aviation assets and related support equipment to sustain unit capabilities. These funds are required to maintain and train units for immediate mobilization and to provide administrative support.

	(\$ in millions)						
<u>Funding Summary</u>	<u>FY 2005</u>	<u>Price</u>	<u>Program</u>	<u>FY 2006</u>	<u>Price</u>	<u>Program</u>	<u>FY 2007</u>
	<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
Flying Hour Program	366.7	+0.1	-56.8	310.0	+1.0	+26.4	337.4
	<u>FY 2005</u>			<u>FY 2006</u>			<u>FY 2007</u>
<u>Program Data</u>	<u>Actual</u>		<u>Change</u>	<u>Estimate</u>		<u>Change</u>	<u>Estimate</u>
Primary Authorized Aircraft	1,336		-2	1,334		-22	1,312
Total Aircraft Inventory	1,450		-2	1,448		-22	1,426
Flying Hours (000)							
Rotary	235.7		-47.8	187.9		+6.1	194.0
Fixed	<u>56.4</u>		<u>+14.1</u>	<u>70.5</u>		<u>-24.9</u>	<u>45.6</u>
Total	292.1		-33.7	258.4		-18.8	239.6
OPTEMPO:							
Rotary (Hours/Crew/Month)	9.2		-1.9	7.3		+0.3	7.6
Fixed (Aircraft Hours/Month)	8.5		+1.2	9.7		+0.6	10.3

The FY 2007 budget request reflects a net increase of \$27.4 million. This includes a price change of \$1 million and a net program increase of \$26.4 million, which reflects increased requirements for modernization of the Army National Guard aviation system within is part of the Army Aviation Modernization Plan.

AIR OPERATIONS

ACTIVE NAVY

The Navy's Air Operations program funds the active Navy and Marine Corps flying hour operating tempo, intermediate, organizational and depot level maintenance, fleet training, engineering support, and logistical support to operate, maintain, and deploy aviation forces in support of the national military strategy. Navy Air Operations is subdivided into the following categories.

	(\$ in millions)						
	FY 2005	Price	Program	FY 2006	Price	Program	FY 2007
<u>Funding Summary</u>	<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
Mission/Flight Operations	3,639.5	+297.8	-624.7	3,312.6	+258.9	+16.3	3,587.8
Fleet Air Training	1,118.5	+64.8	-342.4	840.9	+72.1	-49.2	863.8
Intermediate Maintenance	67.5	+1.9	-12.0	57.4	+1.5	-2.4	56.5
Air Ops and Safety Support	123.8	+2.4	-14.9	111.3	+3.6	+6.4	121.3
Air System Support	471.1	+6.1	+13.9	463.3	+19.0	+3.5	485.8
Depot Maintenance	1,139.8	-10.2	-232.9	896.7	+55.1	-48.9	902.9
Depot Operations Support	71.7	+1.7	+27.0	100.4	+3.4	+40.4	144.2
Flight Training	414.1	+15.6	-40.6	389.1	+23.0	+13.3	425.4
Blue Angels	<u>19.8</u>	<u>+1.6</u>	<u>-0.7</u>	<u>20.7</u>	<u>+2.4</u>	<u>+0.2</u>	<u>23.3</u>
Total	7,065.8	+381.7	-1,255.1	6,192.4	+439.0	-20.4	6,611.0
<u>Program Data</u>	FY 2005			FY 2006			FY 2007
	<u>Actual</u>	<u>Change</u>		<u>Estimate</u>	<u>Change</u>		<u>Estimate</u>
Primary Authorized Aircraft	2,392	-84		2,308	-37		2,271
Total Aircraft Inventory (TAI) *	3,726	67		3,793	-5		3,788
Total Flying Hours (000)	1,144	-142		1,002	+11		1,013
Tactical Fighter Wings	10	-		10	-		10
Average Crew Ratio	1.47	+0.07		1.54	+0.01		1.55
Hours Per Crew Per Month	22.3	-4.8		17.5	+0.7		18.2
Average T-Rating	T-2.3	N/A		T-2.7	N/A		T-2.5

AIR OPERATIONS

<u>Program Data</u>	<u>FY 2005 Actual</u>	<u>Change</u>	<u>FY 2006 Estimate</u>	<u>Change</u>	<u>FY 2007 Estimate</u>
<u>Naval Aviation Installations</u>					
CONUS	15	-	15	-	15
Overseas	8	-	8	-1	7

* TAI includes Navy and Marine Corps Reserve aircraft.

The FY 2007 budget request increases by \$418.6 million above the FY 2006 level, reflecting price increases of \$439.0 million and program decreases of \$20.4 million below the FY 2006 level. The Primary Authorized Aircraft (PAA) decreases from FY 2006 to FY 2007 due to various force structure changes, including the retirement of S-3B squadron and the continued decommissioning of F-14s. In FY 2007, the flying hour budget is sufficient to achieve readiness and safety goals at or above those budgeted in FY 2006.

Mission/Flight Operations: The budget request reflects price growth of \$258.9 million and programmatic growth of \$16.3 million in FY 2007. This is driven by higher repairables and consumables consumption and funding the additional hours required to achieve a T-2.5 readiness level. In addition, changes in type/model/series flown, such as the retirement of S-3Bs and F-14s contribute to the programmatic changes.

Fleet Air Training: Fleet Air Training funding reflects pricing growth of \$72.1 million and programmatic decreases of \$49.2 million in FY 2007. The programmatic changes reflect increased fuel costs offset by reduced funding for repairables and consumables and reduction in flight hours in accordance with student load plan and Fleet aircrew requirements.

Navy Intermediate Maintenance: Funding reflects price growth of \$1.5 million and programmatic decreases of \$-2.4 million in FY 2007. The decrease is associated with a realignment of the Fleet Weapons Support Team from Fleet Readiness Accounts into Weapons Maintenance (1D4D).

Air Operations and Safety Support: Air Operations and Safety Support funding reflects a price increase of \$3.6 million and a program increase of \$6.4 million in FY 2007. The programmatic increase is the result of emerging requirements in Combat Identification systems and Marine Air Traffic Control and Lighting systems.

AIR OPERATIONS

Air System Support: Air System Support reflects a price increase of \$19.0 million and a program increase of \$3.5 million in FY 2007. The programmatic increase is associated with Program Related Logistics Support and Program Related Engineering Support for the following aircraft; F/A-18E/F, AV-8B, EA-6B and the T-45.

Aircraft Depot Maintenance: Aircraft Depot Maintenance funding reflects a price increase of \$55.1 million and a net program decrease of \$-48.9M million in FY 2007. The programmatic decrease is the result of the realignment for P-3 Special Structural Inspection Kits and a reduction for Aircraft Depot Maintenance Peacetime Workload.

Aircraft Depot Operations Support: Aircraft Depot Operations reflects a price increase of \$3.4 million and a net program increase of \$40.4 million in FY 2007. The programmatic increase is the result of the accelerated deployment of the Navy Converged Enterprise Resource Planning (ERP) Program, supporting the Naval Air Pacific Repair Activity (NAPRA) and the Naval Air Mediterranean Repair Activity (NAMRA) forward deployed maintenance programs.

Flight Training: Flight Training reflects price growth in FY 2007 of \$23.0 million and a program increase of \$13.3 million. The program increase is attributable to the increased production goals by 247 Pilots and Naval Flight Officers. In addition, the increase reflects the latest Integrated Production Plan (IPP), avoiding interruption to pilot training process and subsequent impacts to fleet squadrons.

Recruiting and Advertising: Recruiting and Advertising, which provides funding for the Blue Angels, remains relatively stable and continues to support 68 Blue Angels shows in FY 2007.

NAVY RESERVE

The Naval Air Reserve Force consists of 1 carrier air wing with a total of 6 squadrons, 1 long-range Anti-Submarine Warfare (ASW) patrol wing with a total of 6 squadrons, 1 helicopter wing with 7 squadrons, and 1 air logistics wing with 15 squadrons. The Fourth Marine Corps Air Wing (4th MAW) consists of 16 flying squadrons and supporting units, which are budgeted for and maintained by the Commander of the Naval Reserve Force. The Air Operations activity group provides funding for all aspects of Navy and Marine Corps Reserve air operations from flying hours to specialized training, maintenance, and associated support. The following table reflects the funding for the programs supporting Reserve Air Operations.

AIR OPERATIONS

	(\$ in millions)						
	FY 2005	Price	Program	FY 2006	Price	Program	FY 2007
<u>Funding Summary</u>	<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
Mission/Flight Operations	535.4	+55.2	-83.2	507.4	+49.2	+32.8	589.4
Intermediate Maintenance	19.1	+0.4	-3.5	15.9	+0.4	+0.7	17.0
Air Ops and Safety Support	1.9	-	+0.2	2.1	-	-0.1	2.0
Depot Maintenance	153.4	+0.8	-10.9	143.4	+5.7	-16.1	132.9
Depot Operations Support	<u>0.3</u>	<u>-</u>	<u>+0.1</u>	<u>0.4</u>	<u>-</u>	<u>-</u>	<u>0.4</u>
Total	710.1	+56.4	-97.3	669.2	+55.3	+17.3	741.8

	FY 2005	<u>Change</u>	FY 2006	<u>Change</u>	FY 2007
	<u>Actual</u>		<u>Estimate</u>		<u>Estimate</u>
<u>Program Data</u>					
Primary Authorized Aircraft	408	-42	366	-25	341
Total Aircraft Inventory (TAI)*	408	-42	366	-25	341
Total Flying Hours (000)	129	+4	133	+14	147
Tactical Fighter Wings	1	-	1	-	1
Hours Per Crew Per Month	10.2	-1.4	8.8	1.4	10.2
Average T-rating	T-2.3	N/A	T-2.8	N/A	T-2.3

* TAI shown under the active account includes Navy and Marine Corps Reserve aircraft.

The FY 2007 request reflects a net increase of \$72.6 million above the FY 2006 funding level. This includes a price increase of \$55.3 million and real program growth of \$17.3 million above FY 2006 level. Programmatic increases in FY 2007 reflect increases for consumption for Aviation Depot Level reparables (AVDLRs) and consumable parts across all aircraft types, as well as increased workload standards for depot maintenance.

AIR OPERATIONS

ACTIVE AIR FORCE

The Air Force Air Operations funding provides the resources that support combat forces. These activities provide for the operational flying requirements of bomber, fighter, mobility, and training forces stationed in the United States as well as overseas. Also included are resources supporting: land based intercontinental ballistic missiles; air launched strategic and tactical missiles; electronic warfare and defense suppression missions; combat command, control, and communications; combat aircrew training; and associated combat related base support.

Financing provides for the operating tempo, organizational and depot level maintenance, training, engineering support, logistical support, and base support to operate, maintain, and deploy aviation forces in support of the national military strategy. The Air Operations activity is subdivided into the following categories:

<u>Funding Summary</u>	<u>(\$ in millions)</u>						
	<u>FY 2005</u>	<u>Price</u>	<u>Program</u>	<u>FY 2006</u>	<u>Price</u>	<u>Program</u>	<u>FY 2007</u>
	<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
Primary Combat Forces	3,851.5	+250.7	-929.9	3,172.3	+319.4	+816.1	4,307.9
Primary Combat Weapons	334.3	+9.5	-62.1	281.7	+8.1	-8.4	281.4
Combat Enhancement Forces	635.6	+19.7	-133.7	521.7	+16.7	+65.3	603.7
Air Operations Training	1,233.8	+67.9	+40.6	1,342.3	+106.3	-9.4	1,439.2
Combat Communications	1,794.2	+61.1	-409.1	1,446.2	+81.7	+91.7	1,619.6
Global C3I & Early Warning	1,243.8	+32.7	-109.6	1,166.9	+37.2	-56.7	1,147.4
Other Combat Ops Spt Programs	972.3	+29.0	-308.1	693.1	+26.1	-109.2	610.1
Airlift Operations	3,172.7	+501.9	-1,036.0	2,638.6	+241.3	+68.6	2,948.5
Flight Training	729.2	+37.9	+11.1	778.1	+82.5	-23.7	836.9
Arms Control	37.7	+1.2	+8.5	47.4	+3.6	-1.1	49.9
Security Programs	1,100.2	+28.8	+221.1	1,350.1	+32.4	+95.7	1,478.2
Depot Maintenance (All Air Force)	2,464.4	+17.9	-140.1	2,342.2	-87.3	+60.6	2,315.4
Total	17,569.7	+1,058.3	-2,847.3	15,780.7	+868.0	+989.5	17,638.2

The FY 2007 budget request reflects a net increase of \$1,857.5 million above the FY 2006 funding level. This includes a price increase of \$868.0 million and program increases totaling \$989.5 million.

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<u>Program Data</u>	<u>FY 2005</u>		<u>FY 2006</u>		<u>FY 2007</u>
	<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>
Primary Aircraft Authorized (PAA)					
Bomber	120	3	123	-	123
Fighter/Attack	1,365	-3	1,362	-36	1,326
Trainer	940	-12	928	15	943
Airlift	337	-2	335	-9	326
Tanker	236	-8	228	-	228
Other	<u>370</u>	<u>+86</u>	<u>456</u>	<u>-35</u>	<u>421</u>
Total	3,368	+64	3,432	-65	3,367
Total Aircraft Inventory (TAI)					
Bomber	169	-20	149	-	149
Fighter/Attack	1,564	+6	1,570	-64	1,506
Trainer	1,288	-146	1,142	-11	1,131
Airlift	380	-20	360	-18	342
Tanker	264	-3	261	-10	251
Other	<u>406</u>	<u>+116</u>	<u>522</u>	<u>-30</u>	<u>492</u>
Total	4,071	-67	4,004	-133	3,871
Flying Hours (000)	1,351.4	-148.0	1,203.4	-20.9	1,182.5
Air Expeditionary Forces (AEF)	10	-	10	-	10
Crew Ratio (Average per Aircraft)					
Bombers	1.43	-	1.43	-	1.43
Fighters	1.25	-	1.25	-	1.25

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<u>Program Data</u>	<u>FY 2005</u>		<u>FY 2006</u>		<u>FY 2007</u>
	<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>
OPTEMPO (Hrs/Crew/Month)					
Bombers	22.4	-7.2	15.2	-0.2	15.0
Fighters	15.3	+1.1	16.4	-0.2	16.2
 Primary Mission Capable (%)					
Bombers	66.4				
Fighters	77.2				
 ICBM Inventory					
Minuteman III	500	-	500	-	500
Peacekeeper	17	-17	-	-	-
Total	517	-17	500	-	500

Primary Combat Forces: The FY 2007 budget request includes a price increase of \$319.4 million and a program increase of \$816.1 million. The program change is primarily driven by: fund transfers in from procurement for the F-15 Contractor Logistics Support (\$116.1 million); equipment transformation initiative (\$11.5 million); an increase representing the restoral of the FY 2006 Air Force peacetime baseline for flying operations (\$476.0 million), an increase (\$299.6 million) that properly normalizes the baseline for FY 2007; a decrease to the Flying Hour Program due to a change in hours and/or consumption based on Mission Design Series (MDS) and changes in training requirements (\$-116.4 million); a decrease driven by the Air Force Transformation efforts to modernize and recapitalize force structure, streamlining organizational structure, process efficiencies and force structure reductions to become a more lethal, agile and balanced total force (\$-20.7 million) and a decrease to reflect improved funds management and preclude unobligated balances (\$-48.6 million).

Primary Combat Weapons: The FY 2007 budget request includes a price increase of \$8.1 million and a program decrease of \$-8.4 million. The program decrease is primarily driven by the Air Force Transformation efforts to modernize and recapitalize force structure, streamlining organization structure, process efficiencies and force structure reductions to become a more lethal, agile and balanced total force.

Combat Enhancement Forces: The FY 2007 budget request includes a price increase of \$16.7 million and a program increase of \$65.3 million. The program changes are primarily driven by: an increase representing the restoral of the FY 2006 Predator program,

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operations and support (\$85.0 million); an increase (\$9.5 million) to the Flying Hour Program due to a change in hours and/or consumption based on Mission Design Series (MDS) and changes in training requirements; an increase to the Predator program associated with the procurement of new orbits (\$5.8 million); a decrease driven by Air Force Transformation efforts to modernize and recapitalize force structure, streamlining organizational structure, process efficiencies and force structure reductions to become a more lethal, agile and balanced total force (-\$20.7 million); a decrease to reflect improved funds management and preclude unobligated balances (\$-10.4 million); and a one time decrease to the Theater Airborne Reconnaissance System to account for a one-time increase in the FY 2006 program.

Air Operations Training: The FY 2007 budget request includes a price increase of \$106.3 million and a program decrease of \$-9.4 million. The program change is primarily driven by: an increase in the Flying Hour Program Flying Hour Program due to a change in hours and/or consumption based on Mission Design Series (MDS) and changes in training requirements (\$23.3 million); an increase to fund A-76 studies to determine if activities should remain in-house labor or be contracted out (\$1.1 million); a decrease driven by Air Force Transformation efforts to modernize and recapitalize force structure, streamlining organizational structure, process efficiencies and force structure reductions to become a more lethal, agile and balanced total force (\$-20.7 million); a decrease to civilian pay based on requirements associated with updated assessment of special salary rates (\$-1.5 million); and a decrease to reflect improved funds management and preclude unobligated balances (\$-11.6 million).

Combat Communications: The FY 2007 budget request includes a price increase of \$81.7 million and a program increase of \$91.7 million. The program change is primarily driven by a transfer from Administrative and Servicewide accounts (\$29.4 million) to support the Northern Command's newly established warfighting communications program; an increase to the Global Hawk Unmanned Aerial Vehicle program providing all-weather, day or night, reconnaissance and surveillance in direct support of the combatant commanders in theater and Joint Forces Commander's (\$53.4 million); an increase to the Joint Military Intelligence Program supporting the Distributed Common Ground System that directly supports additional unmanned aerial vehicles (\$30.9 million); and a decrease in the Flying Hour Program due to a change in hours and/or consumption based on Mission Design Series (MDS) and changes in training requirements (\$-24.1 million).

Global C3I & Early Warning: The FY 2007 budget request includes a price increase of \$37.2 million and a program decrease of \$-56.6 million. The program change is primarily driven by: a fund transfer of the Counterspace Operations program to subactivity group 013E (Other Space Support Programs) to reflect appropriate program execution (\$-28.2 million); a fund transfer from Space-Based Infrared Systems to Research, Development, Test and Evaluation (RDT&E) for Geosynchronous Earth Orbiting Satellite, 1 and 2, and launch support at Cape Canaveral (\$-4.5 million); a fund transfer from the National Security Space Institute to the Space Warfare Center – Command, Control, Communication and Intelligence Space Professional Institute (\$7.0 million); an increase to the Flying Hour Program due to a change in hours and/or consumption based on Mission Design Series (MDS) and changes in training requirements (\$7.1 million); an increase for 5 new Competitive Sourcing and Privatization programs (\$2.5 million); a decrease driven

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by Air Force Transformation efforts to modernize and recapitalize force structure, streamlining organizational structure, process efficiencies and force structure reductions to become a more lethal, agile and balanced total force (\$-19.5 million) and a decrease to reflect improved funds management and preclude unobligated balances (\$-21.0 million).

Other Combat Operations Support Programs: The FY 2007 budget request includes a price increase of \$26.1 million and a program decrease of \$-109.0 million. The program change is primarily driven by an increase to Intelligence activities (\$17.7 million). This program is classified and details will be provided under separate cover upon request. In addition, an increase for the new Weapons of Mass Destruction (WMD) Responder Program that provides basic installation protection equipment and training assets (\$10.3 million); a decrease of the Air Base Program represented by a one-time requirement for security training and supplies; a decrease driven by Air Force Transformation efforts to modernize and recapitalize force structure, streamlining organizational structure, process efficiencies and force structure reductions to become a more lethal, agile and balanced total force (\$-32.9 million); a decrease to civil engineering for Pacific Air Force computer technical refresh (\$-20.3 million); a decrease to PACAF communications program (\$-11.0 million); decrease to the Flying Hour Program due to a change in hours and/or consumption based on Mission Design Series (MDS) and changes in training requirements (\$9.3 million); a decrease to reflect improved funds management and preclude unobligated balances (\$-9.3 million); reductions in Base Communication Life Cycle Infrastructure Adjustment, life-cycle refreshment of commercial equipment/software and base cable infrastructure upgrades (\$-9.1 million); and a decrease to the Language, Weapons of Mass Destruction and Homeland Defense programs (\$-4.9 million).

Airlift Operations: The FY 2007 budget request includes a price increase of \$241.3 million and a program increase of \$68.6 million. The program change is primarily driven by: an increase to the continuation of the C-17 Contractor Logistics Support (CLS) Transition (\$104.0 million); an increase to C-130E flying hours to accommodate increased crew ratio (\$39.1 million); an increase to Operational Support Airlift for contractual services in support of aircraft maintenance, aircraft lease, CLS and flight crew training (\$25.3 million); and increase in CLS for C-130J transition from Interim Contractor Support (\$21.6 million); a decrease driven by Air Force Transformation efforts to modernize and recapitalize force structure, streamlining organizational structure, process efficiencies and force structure reductions to become a more lethal, agile and balanced total force (\$-77.3 million); a decrease to the Flying Hour Program due to a change in hours and/or consumption based on Mission Design Series (MDS) and changes in training requirements (\$-29.8 million); and a decrease reflecting a baseline adjustment as part of the Air Force Smart Operations that refocuses centrally managed procurement (\$-9.7 million).

Flight Training: The FY 2007 budget request includes a price increase of \$82.5 million and a program decrease of \$-23.7 million. The program change is primarily driven by: a decrease by Air Force Transformation efforts to modernize and recapitalize force structure, streamlining organizational structure, process efficiencies and force structure reductions to become a more lethal, agile and balanced total force (\$-1.3 million); and a decrease to the Flying Hour Program due to a change in hours and/or consumption based on Mission Design Series (MDS) and changes in training requirements (\$-22.5 million).

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Arms Control: The FY 2007 budget request includes a price increase of \$3.6 million and a program decrease of \$1.1 million. The program change is primarily driven by: a minimal increase to the Counterproliferation program for increased contractor support in developing Counter-Chemical, Biological, Radiological, Nuclear Equipment standards and requirements (\$.2 million); a decrease to the Flying Hour Program due to a change in hours and/or consumption based on Mission Design Series (MDS) and changes in training requirements (\$-.7 million); and a decrease to the civilian pay account based on adjustments in mission requirements (\$-.7 million).

Security Programs: The FY 2007 budget request includes a price increase of \$32.4 million and a program increase of \$95.7 million. The program change is primarily driven by: an increase to Classified Programs, details provided under separate cover (\$116 million); a decrease to civilian pay due to staffing changes (\$-15.7 million); and a decrease in A-76 studies (\$-4.1 million).

Depot Maintenance (Air Force-wide): The FY 2007 budget request funds Depot Purchase Equipment Maintenance (DPEM) at 71% of the active force requirement. It includes a price decrease of \$87.3 million and program growth of \$60.6 million. The program growth funds Programmed Depot Maintenance (\$151.0 million) and aircraft repair for the B-1, B02, B-52, F-15, F-16, C-130 and OC-135 airframes. It also funds growth in aircraft software maintenance (\$22.7 million) with decreases to engine and missile maintenance (\$-63.2 million), Other Major End Items (\$-35.3 million), Depot Maintenance Exchangeable (\$-9.0 million), and other depot maintenance (\$-5.6 million).

AIR FORCE RESERVE

The Air Force Reserve Air Operations budget provides the resources to maintain and train units for immediate mobilization and to provide administrative support for the Air Reserve Personnel Center. The FY 2007 request provides for the operation and training of 78 flying units, 435 mission support units, 13 Air Force Reserve flying installations, and the flying and mission training of 74,900 Selected Reserve personnel. Activities supported include aircraft operations, base and depot level aircraft maintenance, medical treatment, civilian pay, travel, transportation, and maintenance of other equipment.

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	(\$ in millions)						
	FY 2005	Price	Program	FY 2006	Price	Program	FY 2007
<u>Funding Summary</u>	<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
Primary Combat Forces	1,276.3	+106.5	+196.4	1,579.2	+150.1	+69.2	1,789.5
Mission/Flight Operations	108.3	+3.2	-27.6	83.9	+2.5	+2.9	89.3
Depot Maintenance	<u>336.2</u>	<u>+3.8</u>	<u>+32.4</u>	<u>372.4</u>	<u>-12.0</u>	<u>+13.0</u>	<u>373.3</u>
Total	1,720.7	+113.6	+201.2	2,035.5	+140.6	+85.1	2,261.2
<u>Program Data</u>	FY 2005			FY 2006			FY 2007
	<u>Actual</u>	<u>Change</u>		<u>Estimate</u>	<u>Change</u>		<u>Estimate</u>
Primary Aircraft Authorized							
Bomber	8	-		8	-		8
Fighter	113	-		113	-15		98
Tankers	72	-		72	-		72
Airlift	122	+4		126	+10		136
Rescue	18	-		18	-		18
Weather Reconnaissance	10	-		10	-		10
Special Operations Forces	<u>12</u>	<u>-</u>		<u>12</u>	<u>-</u>		<u>12</u>
Total	355	+4		359	-5		354
Total Aircraft Inventory (TAI)							
Bomber	9	-		9	-		9
Fighter	130	-		130	-21		109
Tanker	84	-12		72	-		72
Airlift	123	+12		135	+9		144
Rescue	20	-		20	-1		19
Weather Reconnaissance	20	-2		18	-		18
Special Operations Forces	<u>14</u>	<u>-</u>		<u>14</u>	<u>-</u>		<u>14</u>
Total	400	-2		398	-13		385

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<u>Program Data</u>	<u>FY 2005</u> <u>Actual</u>	<u>Change</u>	<u>FY 2006</u> <u>Estimate</u>	<u>Change</u>	<u>FY 2007</u> <u>Estimate</u>
Flying Hours	107.3	+22.3	129.6	+4.2	133.8
Flying Hours (\$)	458.1	+126.7	584.8	+264.1	722.2
Crew Ratios					
(Average per Aircraft)					
Bombers	1.31	-	1.31	-.01	1.30
Fighters	1.25	-	1.25	+.01	1.30
OPTEMPO (Hrs/Crew/Month)					
Bombers	17.1	-	17.1	-	17.1
Fighters	11.6	-.6	11.0	+1.3	12.3

The FY 2007 budget request increases \$225.7 million above the FY 2006 level. The price change is an increase of \$140.6 million and the program change is an increase of \$85.1 million.

Primary Combat Forces (Air Operations): The FY 2007 budget request reflects a net increase of \$219.3 million. This includes a price increase of \$150.1 million and a program increase of \$69.2 million. The program increases include: the C-5 Strategic Airlift (\$47 million), Training Test and Ferry (TTF) flying program (\$33 million), and C-17 Associate Squadrons (\$21 million); and a decrease due to the elimination of the C-141 mission from the Air Force Reserve as it transitions to the C-5 operations (\$-32 million).

Mission Support Operations: The FY 2007 budget request reflects a net increase of \$5.4 million. This includes a price increase of \$2.5 million and a program increase of \$2.9 million. The program increase is primarily attributed to increases to provide the medical training platform equipped with medical training equipment, augmented by reservists, to maintain and sustain year round training for Expeditionary Medical Support, Unit Type Code (UTC)/ Mission Specific Sustainment, and Contingency Aeromedical Staging Facility.

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Depot Maintenance: The FY 2007 budget request includes a net increase of \$1.0 million. This includes a price decrease of \$-12.0 million and a program increase of \$+13.0 million. The increase is mainly attributable to aircraft maintenance of the C-5 to include replacement of torque deck panels and pork chop fittings, as well as structural/corrosion workload.

AIR NATIONAL GUARD

The Air National Guard Air Operations program provides for the flying and maintenance of Air National Guard mission related aircraft. These funds also provide for the facilities, equipment, and manpower required to train, equip, and support the Air National Guard force structure at a combat readiness level that enables it to immediately assimilate into the active Air Force and to be capable of conducting independent operations in accordance with unit taskings.

	<u>(\$ in millions)</u>						
<u>Funding Summary</u>	<u>FY 2005</u> <u>Actual</u>	<u>Price</u> <u>Change</u>	<u>Program</u> <u>Change</u>	<u>FY 2006</u> <u>Estimate</u>	<u>Price</u> <u>Change</u>	<u>Program</u> <u>Change</u>	<u>FY 2007</u> <u>Estimate</u>
Aircraft Operations	2,736.5	+152.0	-9.8	2,878.7	+249.2	+306.5	3,434.4
Mission/Flight Ops	525.8	+14.9	-52.6	488.1	+12.6	+12.1	512.8
Depot Maintenance	<u>582.4</u>	<u>+6.3</u>	<u>+14.3</u>	<u>603.0</u>	<u>-22.6</u>	<u>+22.2</u>	<u>602.6</u>
Total	3,844.7	+173.2	-48.1	3,969.8	+239.2	+340.8	4,549.8
	<u>FY 2005</u> <u>Actual</u>		<u>Change</u>	<u>FY 2006</u> <u>Estimate</u>		<u>Change</u>	<u>FY 2007</u> <u>Estimate</u>
<u>Program Data</u>							
Primary Aircraft Authorized							
JSTARS	14		-	14		-	14
Fighter	484		-13	471		+9	480
Training	98		+9	107		-	107
Tactical Airlift	196		-4	192		-6	186
Strategic Airlift	24		-	24		+11	35
Tanker	189		+10	199		-24	175
Air Defense	52		+23	75		-15	60

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	FY 2005	Change	FY 2006	Change	FY 2007
<u>Program Data</u>	<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>
Other	<u>46</u>	<u>-1</u>	<u>45</u>	<u>-</u>	<u>45</u>
Total	1,103	+24	1,127	-25	1,102
Total Aircraft Inventory (TAI)					
JSTARS	18	-	18	-	18
Fighter	573	-32	541	-28	513
Training	116	-	116	+20	136
Tactical Airlift	201	-3	198	-8	190
Strategic Airlift	25	-	25	+12	37
Tanker	243	-35	208	-20	188
Air Defense	75	+26	101	-36	65
Other	<u>62</u>	<u>-2</u>	<u>60</u>	<u>-3</u>	<u>57</u>
Total	1,313	-46	1,267	-63	1,204
Flying Hours (000)	263	-21	242	62	304
Tactical Fighter Wing Equivalents	6.4	-0.2	6.2	+0.1	6.3
Crew Ratios					
(Average per Aircraft)					
JSTARS	2.0	-	2.0	-	2.0
Fighters	1.5	-	1.5	-	1.5
OPTEMPO (Hrs/Crew/Month)					
JSTARS	25.7	-	25.7	-	25.7
Fighter	10.6	-	10.6	-	10.6

The Air National Guard (ANG) FY 2007 budget increases \$580.0 million from FY 2006 reflecting price growth of \$239.2 million and program increases of \$340.8 million.

AIR OPERATIONS

Primary Combat Forces Aircraft Operations: The FY 2007 budget request reflects a net increase of \$555.7 million. This includes price growth of \$249.2 million and a program increase of \$306.5 million. The program increases include increased Flying Hour Program (\$204.0 million); Contractor Logistics Support (\$34.5 million); Strategic Airlift Squadrons conversion from C-130s to C-5s (\$34.3 million); support three ground control stations, 24/7 Predator operations center, and launch and recovery equipment (\$30.4 million); KC-135 Squadrons increased flying hours (\$7.5 million); increased flying hours associated with the conversion from F15 A/B to F15 C/D (\$4.6 million); additional manpower and flying hours with the conversion to C-17s at Hickam AFB, HI (\$6.1 million).

Mission Support Operations: The FY 2007 budget reflects a net increase of \$24.7 million above the FY 2006 level. This includes price increases of \$12.6 million and program increases of \$12.1 million. Major drivers of the program changes include Mission Support - Military Technician Pay (\$7.2 million); Distributed Common Ground System Sustainment (\$2.8 million); Tactical Air Control Systems Repairables (\$2.5 million); costs associated with the activation of the 125th Special Tactics Squadron (\$1.8 million); supports the Engineering & Installation force structure, medical readiness, Air Traffic Controller and civil engineering function (\$2.8 million); and LEANE Equipment (\$-4.1 million).

Depot Maintenance: The FY 2007 budget reflects a net decrease of \$.4 million from the FY 2006 level which includes price decreases of \$-22.6 million and program increases of \$22.2 million. The FY 2007 budget includes program increases for aircraft programmed depot maintenance.

US SPECIAL OPERATIONS COMMAND

The Air Operations funding for the U.S. Special Operations Command (USSOCOM) supports the manpower authorizations, Special Operations Forces (SOF) unique support equipment, flying hours, aircraft, necessary facilities, and the associated costs specifically identified and measurable to initial qualification and training of aircrews for SOF aviation operations and tactics. The funding supports operations of the Air Force Special Operations Command (AFSOC) and the U.S. Army Special Operations Command (USASOC).

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	(\$ in millions)						
<u>Funding Summary</u>	<u>FY 2005</u>	<u>Price</u>	<u>Program</u>	<u>FY 2006</u>	<u>Price</u>	<u>Program</u>	<u>FY 2007</u>
	<u>Actual</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
USSOCOM - SOF Operations	757.6	+30.5	-106.7	681.4	+57.5	+95.4	834.3
 <u>Program Data</u>	 <u>FY 2005</u>			 <u>FY 2005</u>			 <u>FY 2007</u>
	<u>Actual</u>		<u>Change</u>	<u>Estimate</u>		<u>Change</u>	<u>Estimate</u>
Primary Aircraft Authorized							
Tactical/Mobility	200		+25	225		+2	227
Training	<u>56</u>		<u>+8</u>	<u>64</u>		<u>-2</u>	<u>62</u>
Total	256		33	289		-	289
 Total Aircraft Inventory (TAI)							
Tactical/Mobility	230		+18	248		+8	256
Training	<u>56</u>		<u>+8</u>	<u>64</u>		<u>-2</u>	<u>62</u>
Total	289		26	312		6	318
 Flying Hours (000)	90,950		-1,203	89,387		13,982	103,369
 Crew Ratio (Average per Aircraft)	1.6		-	1.6		-	1.6
 OPTEMPO (Hours/Crew/Month)	18.3		-5.7	12.6		0.9	13.5
 Primary Mission Readiness (%)	75%		-	75%		-	75%

The FY 2007 budget reflects a net increase of \$152.9 million above the FY 2006 level. This includes price increases of \$57.5 million and program increases of \$95.4 million. Program increases are the result of flying hour funding associated with the fielding of additional MH-47Gs, CV-22s and A/MH-6Ms. Additional increases are the result of: the transition of the Directional Infrared Countermeasures (DIRCM) system to O&M sustainment; civilian end strength increase (13) associated with Flight Operations; and additional capabilities and greater presence with the transition of responsibilities for the 160th Special Operations Aviation Regiment from CENTCOM Forward Presence.

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BASE OPERATIONS SUPPORT

	(\$ in Millions)						
	FY 2005 <u>Actual</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2006 <u>Estimates</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2007 <u>Estimate</u>
Army	6,238.6	+256.5	-1,269.0	5,226.1	+174.2	-164.9	5,235.4
Navy	3,640.0	+67.0	-486.0	3,221.0	+121.0	+128.0	3,470.0
Marine Corps	1,293.9	+60.2	+97.0	1,451.1	+64.3	+65.7	1,581.1
Air Force	6,827.4	+123.7	-1,770.8	5,180.3	+153.8	+170.8	5,504.9
Army Reserve	450.6	+3.5	+5.0	459.1	+10.9	+58.3	528.3
Navy Reserve	117.0	+2.0	-11.0	108.0	+2.0	-8.0	102.0
Marine Corps Reserve	41.0	+1.9	+29.6	72.5	+0.5	+4.4	77.4
Air Force Reserve	319.2	+9.0	-51.5	276.7	+7.5	+4.3	288.5
Army National Guard	811.9	+19.0	-202.7	628.2	+14.0	-10.4	631.8
Air National Guard	470.6	+12.3	-24.1	458.8	+11.0	+21.4	491.2
Defense Health Program	<u>607.8</u>	<u>+13.6</u>	<u>+29.3</u>	<u>650.7</u>	<u>+12.4</u>	<u>+6.2</u>	<u>669.3</u>
Total	20,818.0	+568.7	-3,654.2	17,732.5	+571.6	+275.8	18,579.9

* Values have been rounded.

Base Operations Support (BOS) provides the resources to operate the bases, installations, camps, posts, and stations of the Military Departments and the Defense Health Program (DHP). These resources provide personnel and infrastructure support to sustain mission capability, ensure quality-of-life, and enhance work force productivity.

- Personnel support includes: food and housing services for unaccompanied and deployed forces; religious services and programs; payroll support; personnel management; morale, welfare, and recreation services to military members and their families.
- Infrastructure support includes utility system operations; installation equipment maintenance; engineering services including fire protection, crash rescue, custodial, refuse collection, snow removal, and lease of real property; security protection and law enforcement; and motor pool transportation operations.

The FY 2007 budget request of \$18,579.9 million includes a net price increase of \$571.6 million and a net program increase of \$275.8 million. Specific changes are addressed in the following sections for each Active Component and Defense Health Program.

BASE OPERATIONS SUPPORT

	Active Forces Program Data				
	FY 2005		FY 2006		FY 2007
	<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>
Number of Active Major Installations					
CONUS	237	+1	238	-	238
Overseas	61	-1	60	-	60
Active Forces Personnel					
Military (End-Strength)	65,630	-5,868	59,762	-1,247	58,515
Civilian (Full-Time Equivalents)	98,651	-2,906	95,745	-537	95,208

Installations: Active installations in the United States increase by 1 in FY 2006 with the acquisition and independent standup of Blount Island, Jacksonville, FL by the Marine Corps. The decrease of 1 active forces overseas installation from FY 2005 to FY 2006 is the Navy closure of Naval Station Roosevelt Roads.

Personnel: The military end strength decreases in FY 2006 are due primarily to continued efforts to convert military positions to civilian or contractor positions. These conversions will alleviate the stress on the operating forces. The civilian personnel assigned to base support activities decreases from FY 2006 to FY 2007 primarily due to a reduced footprint overseas and through increased efficiencies.

ARMY

	(\$ in Millions)				
	FY 2005		FY 2006		FY 2007
	<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>
Active Funding	6,238.6	-1,012.5	5,226.1	+9.3	5,235.4
Installations					
CONUS	60	-	60	-	60
Overseas	30	-	30	-	30
Personnel					
Military (End-Strength)	2,750	-908	1,842	-230	1,612
Civilian (Full-Time Equivalents)	33,080	-937	32,143	-40	32,103

BASE OPERATIONS SUPPORT

The Army's FY 2007 Base Operations Support (BOS) request of \$5,235 million reflects a net increase of \$+9.4 million from the FY 2006 funding level. This net increase includes price growth of \$174.2 million, including an increase of \$24.0 million in foreign currency rate adjustments, and a program decrease of \$-164.9 million. The major changes in FY 2007 include:

- The program decrease reflects anticipated savings through improved efficiencies, streamlining headquarters operations, creating a more agile and responsive staff and reducing layers of review and approval (\$-164.9 million).

NAVY

	(\$ in Millions)				
	FY 2005 <u>Actual</u>	<u>Change</u>	FY 2006 <u>Estimate</u>	<u>Change</u>	FY 2007 <u>Estimate</u>
Active Funding Installations	3,640.0	-419.0	3,221.0	249.0	3,470.0
CONUS	83	-	83	-	83
Overseas	15	-1	14	-	14
Personnel					
Military (End-Strength)	23,546	-1,880	21,666	-155	21,511
Civilian (Full-Time Equivalents)	18,040	-2,759	15,284	-1,084	14,200

The Navy's FY 2007 Base Operations Support (BOS) request of \$3,470 million reflects a net increase of \$249 million from the FY 2006 funding level. This net increase includes price growth of \$121.0 million and a net program increase of \$128.0 million. The major changes in FY 2007 include:

- Program increases include funding for increased utilities support, utility market volatility and de-regulation impacts (\$136.0 million), and maintenance and repair for utilities and transportation infrastructure that transferred from Public Works Departments to Public Works Centers (\$60.0 million).
- Increased funding supports the Phase 2 implementation of Hazardous Waste Operations and Emergency Pay Requirements (\$10.0 million) and alignment of funding for Norfolk and Portsmouth Naval Shipyards to mission funding (\$45.0 million),

BASE OPERATIONS SUPPORT

- Increased funding supports the Air Operations, Youth Programs, Base Security, Environmental Compliance, Emergency Management, Quarters Operations, and Mishap Reductions (\$90 million).
- Program decrease reflects reduced presence in Europe (\$-67.0 million), Base Realignment and Closure reductions (\$-7.0 million), realignment of funds to support the Enterprise Information Technology program (\$-96 million), and a one-time decrease due to FY 2006 Congressional adds (\$-16 million).

MARINE CORPS

	(\$ in Millions)				
	<u>FY 2005 Actual</u>	<u>Change</u>	<u>FY 2006 Estimate</u>	<u>Change</u>	<u>FY 2007 Estimate</u>
Active Funding	1,293.9	+157.2	1,451.1	+130.0	1,581.1
Installations					
CONUS	20	+1	21	-	21
Overseas	3	-	3	-	3
Personnel					
Military (End-Strength)	10,523	-45	10,478	-	10,478
Civilian (Full-Time Equivalent)	8,709	+141	8,850	+148	8,998

The FY 2007 budget request for the active Marine Corps BOS reflects a net increase of \$130.0 million above the FY 2006 funding level. This net increase includes price growth of \$64.3 million, and a net program increase of \$65.7 million. Major changes include:

- Increased funding supports the First Response program, including medical kits, essential personnel suites, masks, and operation and maintenance costs associated with chemical and biological installation equipment (\$15.6 million), and supports and maintains Anti Terrorism compliance (\$3.1 million).
- Increase resulting from the military to civilian conversion (\$14.8 million) and increase for activities that provide emergency services for base operations to include the fire department emergency response, fire prevention, water rescue, and explosive ordnance disposal (\$3.6 million).

BASE OPERATIONS SUPPORT

- Funding to support collateral equipment for initial outfitting of military construction projects (\$8.6 million), increases for the Marine Corps Network Operations Security Command (MCNOSC) to support core fleet information technology, data and network capability requirements (\$5.3 million), and increase to support Mu Juk, Korea Marine Corps Base (\$3.5 million).

AIR FORCE

	(\$ in Millions)				
	<u>FY 2005</u>		<u>FY 2006</u>		<u>FY 2007</u>
	<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>
Active					
Funding	6,827.4	-1,647.1	5,180.3	+324.6	5,504.9
Installations					
CONUS	65	-	65	-	65
Overseas	12	-	12	-	12
Personnel					
Military (End-Strength)	26,195	-2,928	23,267	-847	22,420
Civilian (Full-Time Equivalents)	32,649	324	32,973	334	33,307

The Air Force's FY 2007 Base Operations Support (BOS) request of \$5,504.9 million reflects a net increase of \$324.6 million from the FY 2006 funding level. This net increase includes price growth of \$153.8 million and a net program increase of \$170.8 million. The major changes in FY 2007 include:

- An increase resulting from the Air Force Military-to-Civilian Conversion program that identified military members performing work not directly associated with the Air Force core war fighting mission and converted military positions to civilian positions (\$303.6 million).
- Funding to support municipal activities such as emergency services (fire protection/explosive ordinance disposal) and utility plan operations (\$22.8 million); base operating support primarily for food service contracts at training locations (\$5.7 million); and base communications Information Technology equipment cyclical replacement program (\$3.2 million).

BASE OPERATIONS SUPPORT

- The decreases include Competitive Sourcing and Privatization (CS&P) program (\$16.6 million); a decrease to reflect management efficiencies with the Air Force Transformation efforts (\$69.5 million); a decrease to reflect improved funds management and preclude unobligated balances (\$75.7 million); and a decrease in the Environmental Compliance/Conservation and Pollution Preventions programs to match execution trends (\$5.2 million).

DEFENSE HEALTH PROGRAM

	(\$ in Millions)				
	FY 2005		FY 2006		FY 2007
	<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>
Active					
Funding	607.8	+42.9	650.7	+18.6	669.3
Installations					
CONUS	9	-	9	-	9
Overseas	1	-	1	-	1
Personnel					
Military (End-Strength)	2,616	-107	2,509	-15	2,494
Civilian (Full-Time Equivalents)	1,898	+335	2,233	+76	2,309

The Defense Health Program's (DHP) FY 2007 Base Operations Support (BOS) request of \$669.3 million reflects a net increase of \$18.6 million from the FY 2006 funding level. This net increase includes price growth of \$+12.4 million and a net program increase of \$+6.2 million. The major changes in FY 2007 are increased base operations, communications, environmental, and visual information costs.

COMMAND, CONTROL, AND COMMUNICATIONS (C³)

	(\$ in Millions)						
	FY 2005 <u>Actual</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2006 <u>Estimate</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2007 <u>Estimate</u>
Army	458.4	+18.4	-56.2	420.6	+14.5	+83.5	518.6
Navy	461.7	+9.6	-43.6	427.7	+9.0	+92.4	529.1
Marine Corps	38.5	+0.6	+4.3	43.4	+0.5	-2.0	41.9
Air Force	2,937.4	+77.4	-59.8	2,955.0	+82.9	-63.2	2,974.7
Defense-Wide	981.0	+23.5	-50.0	954.5	+20.9	-15.5	959.9
Army Reserve	73.2	+1.8	+1.2	76.2	+2.0	+6.8	85.0
Navy Reserve	8.5	+0.2	+1.2	9.9	+0.2	+0.9	11.0
Marine Corps Reserve	3.3	+0.1	-0.2	3.2	+0.1	+1.8	5.1
Air Force Reserve	100.5	+2.6	-48.1	55.0	+1.3	-2.7	53.6
Army National Guard	118.3	+3.1	+10.6	132.0	+4.0	-13.4	122.6
Air National Guard	28.4	+0.6	-14.6	14.4	+0.3	+3.1	17.8
Defense Health Program	38.6	+0.9	+8.5	48.0	+0.9	+0.5	49.4
Total	5,247.8	+56.5	-164.4	5,139.9	+47.7	+181.1	5,368.7

Command, control, and communications (C³) resources provide seamless base level and worldwide communication networks for voice, data, and imagery traffic of sufficient quality, reliability, and flexibility to ensure responsive support to U.S. forces. This information infrastructure contains communications networks, computers, software, databases, applications, data, security services, and other capabilities that meet the information processing and transport needs of DoD users. The C³ program specifically funds telecommunications systems, leased circuits, and other services necessary for information transfer, messaging operations, and equipment associated with sending and receiving communications transmissions. Additionally, this program funds efforts to integrate command and control systems with communications in order to support the information needs of field commanders. The FY 2007 budget request of \$5,368.7 million includes price increases of +\$47.7 million and a net program increase of +\$181.1 million (3.5 percent) above the FY 2006 funding level.

COMMAND, CONTROL, AND COMMUNICATIONS (C³)

Program Data	(\$ in Millions)				
	FY 2005	FY 2006		FY 2007	
<u>Communications</u>	<u>Actual</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Estimate</u>
Sustaining Base Communications	1,403.1	-160.7	1,242.5	+11.4	1,253.9
Long Haul Communications	662.4	-98.6	563.8	+134.9	698.8
Deployable and Mobile Communications	331.3	-26.7	304.6	+34.5	339.1
<u>Command and Control</u>	<u>2,224.5</u>	<u>+97.9</u>	<u>2,322.4</u>	<u>+9.5</u>	<u>2,331.9</u>
National	1,227.5	+25.4	1,252.9	-16.6	1,236.4
Operational	760.6	+44.1	804.7	+6.7	811.5
Tactical	236.4	+28.4	264.8	+19.3	284.1
<u>C3-Related</u>	<u>626.5</u>	<u>+80.1</u>	<u>706.6</u>	<u>+38.5</u>	<u>745.1</u>
Navigation	87.7	+18.0	105.7	+5.1	110.8
Meteorology	170.5	-35.4	135.1	+2.9	138.0
Combat Identification	2.1	+0.4	2.5	-0.4	2.1
Information Assurance Activities	366.2	+97.1	463.3	+30.9	494.2
Total	5,247.8	-107.9	5,139.9	+228.8	5,368.7

* May not add due to rounding.

Communications: Communications are an integral element of C³ and include sustaining base, long haul, and deployable and mobile forms of communications assets. Resources for sustaining base communications are almost exclusively fixed plant and installation support and provide the “backbone” and other communications infrastructure for CONUS and overseas locations. Funding for long-haul communications, largely comprised of the Defense Information Systems Network (DISN) costs, includes primarily voice and data services for all off-post connectivity, worldwide web, and other connectivity. The DISN is a combination of DoD-owned and leased telecommunications networks and subsystems comprised of equipment, services, personnel, and facilities under the management control and operational direction of the Defense Information Systems Agency (DISA). Resources for deployable and mobile communications include funding for systems and capabilities to extend communications into areas of operations, which are primarily provided through satellite systems and other wireless transmission means and constitute moveable or transportable

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communications. The FY 2007 budget request of \$2,291.7 million reflects a total pricing and program change of +\$180.8 million (8.6 percent) over the FY 2006 funding level. The following are the significant changes:

- The Army's budget request of \$372.6 million includes a total pricing and program change of +\$100.6 million primarily due to funds realignment for voice, video, data, and circuits that are packaged together for 404 core DoD sites. Joint customer on integrated Service installations had resources realigned to the lead supporting Service.
- The Navy's budget request of \$367.4 million includes a total pricing and program change of +\$87.4 million due to the phasing of life cycle maintenance for communication equipment, the new TELEPORTS lines reaching full operating status in FY 2007, and bandwidth expansion for the Global Information Grid (GIG). The increase also supports the Maritime Interdiction Operations (MIO) pilot program to establish an Intelligence Exploitation Team (IET) and establishment of Joint Tactical Radio System (JTRS) Joint Program Executive Office (PEO).
- The Defense-Wide budget request of \$394.9 million includes a total pricing and program change of -\$16.7 million, mostly due to DISN Subscription rate decrease and non recoverable cost savings by DISA and decreased levels of communication engineering support, partially offset by U.S. Special Operations Command (SOCOM) increase to support Scalable Measurement Platform for the Internet deployable communications and global airtime commensurate with force structure growth and equipment demands, including Unmanned Aerial Vehicles.

Command and Control (C2): This category represents the facilities, systems, and manpower essential to a commander for planning, directing, coordinating, and controlling operations of assigned forces. These command and control capabilities cover the National Command Authority, through the joint operational and theater level echelon, and down to the front-line tactical elements. Additionally, this category includes funding for the Defense portion of the National Airspace System and other air traffic control activities. The FY 2007 budget request of \$2,331.9 million reflects a total pricing and program change of +\$9.5 million (0.4 percent) over the FY 2006 funding level. Major changes include:

- The Navy's budget request of \$110.3 million reflects a total pricing and program change of +\$26.6 million, mostly due to the operations, life cycle support, IT maintenance for the Deployable Joint Command and Control (DJC2) and operation and maintenance for FORCENet Trusted Information Systems (TIS).
- The Air Force's budget request of \$1,819.5 million reflects a total pricing and program change of -\$33.6 million, based on the anticipated savings from the Transformation Initiatives. In an effort to modernize and recapitalize the force structure, the Air Force has initiated a transformation flight plan focusing on three major areas: streamlining the organizational structure, incorporating process efficiencies, and continuing force structure reductions to become a more lethal, agile, and balanced total force. These three areas will produce savings in Air Force readiness and personnel accounts, necessary to produce the investment

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capital associated with Air Force transformation that will continue through the Future Years Defense Program. The decreases will affect programs, such as: Communications, Atmospheric Early Warning System, Battle Control System-Fixed (BCS-F), North Warning System, E-4B National Airborne Operations Center (NAOC), NAOC Ground Communications Network, Weather Services, Global Command and Control (C2) System, Tactical Terminal, Integrated Broadcast System, Distributed Common Ground System, Combatant Commanders Integrated C2 System, Information Operations, and Shared Early Warning System.

- The Defense-Wide budget request of \$364.7 million includes a pricing and program change of +\$21.4 million, mostly due to SOCOM's increases to fund technical support, Capital Equipment Replacement Program, consumables and infrastructure; support standup of the United States Marine Corps Forces Special Operations Command and increased force structure for Center for Special Operations, United States Army Special Operations Command, Air Force Special Operations Command and Naval Special Warfare Command; support Special Operations Forces Tactical Assured Connectivity System for additional SOF deployable nodes (medium) and one transit case variant; and support Tactical Local Area Network (TACLAN) increase for over 1,300 fielded devices (laptops and field computing devices) commensurate with force structure growth.

C3-Related: This category includes various programs and functions related to, and supportive of, communications, command, and control requirements and includes both communications security and computer security. Included are communication resources to support navigation, meteorological reporting, combat identification that provides positive identification of friendly forces to prevent fratricide, and information assurance to protect information systems against denial of service and unauthorized (accidental or intentional) disclosure, modification, or destruction of the information system or data. The FY 2007 budget request of \$745.1 million reflects a total pricing and program change of +38.5 million (5.4 percent) above the FY 2006 funding level. The significant changes include:

- The Navy's budget request of \$51.4 million includes a total pricing and program change of -\$12.6 million for completion of costs associated with the stand-up of the information warfare fusion center, a decrease in Computer Network Defense life cycle support, and a decrease in contractor support.
- The Air Force's budget request of \$333.5 million includes a total pricing and program change of +\$46.7 million, mostly due to (1) Navigation program increased by \$5.1 million for the military to civilian conversion for Air Traffic Control positions and increased maintenance repair costs for systems stationed in Europe; (2) Meteorology program increased by \$2.8 million due to an increase in the Civilian Pay program for Weather Operations; and (3) Information Assurance Activities increased by \$39.3 million. The Information Assurance Activities increases are due to the Information Security (INFOSEC) procurement, maintenance and support for secure telecommunication and information systems to include PKI with a focus on Air Force Networks. Increased sustainment support provides the AF Cryptologic Product Support Group at Kelly USA (previously known as Kelly AFB) with additional technical assistance and engineering support for the Cryptographic Modernization effort. This is a

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major investment program (Department of Defense wide) to replace outdated and vulnerable Communications Security equipment currently operating in a wide variety of Air, Ground and Space platforms.