

# OFFICE OF THE SECRETARY OF DEFENSE

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## FISCAL YEAR (FY) 2007 BUDGET ESTIMATES

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February 2006

### VOLUME I

#### Justification for FY 2007

Operation and Maintenance, Defense-Wide

U.S. Court of Appeals for the Armed Forces

Office of the Inspector General

Former Soviet Union Threat Reduction

Overseas Humanitarian, Disaster and Civic Aid

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## TABLE OF CONTENTS

|   |                              |
|---|------------------------------|
| <b>Overview</b>                                   | <b>i</b>                     |
| <b>Summary by Agency</b>                          | <b>vii</b>                   |
| <b>American Forces Information Service (AFIS)</b> | Error! Bookmark not defined. |
| <b>Civil Military Programs (CMP)</b>              | Error! Bookmark not defined. |
| <b>Defense Acquisition University (DAU)</b>       | Error! Bookmark not defined. |
| <b>Business Transformation Agency (BTA)</b>       | Error! Bookmark not defined. |
| <b>Defense Contract Audit Agency (DCAA)</b>       | Error! Bookmark not defined. |
| <b>Defense Contract Management Agency (DCMA)</b>  | Error! Bookmark not defined. |
| <b>Defense Finance and Accounting Service</b>     | Error! Bookmark not defined. |
| <b>Defense Human Resources Activity (DHRA)</b>    | Error! Bookmark not defined. |
| <b>Defense Information Systems Agency (DISA)</b>  | Error! Bookmark not defined. |
| <b>Defense Logistics Agency (DLA)</b>             | Error! Bookmark not defined. |
| <b>Defense Legal Services Agency (DLSA)</b>       | Error! Bookmark not defined. |

|   |                              |
|---|------------------------------|
| <b>Defense Prisoner Of War/Missing Personnel Office (DPMO)</b>  | Error! Bookmark not defined. |
| <b>Defense Security Cooperation Agency</b>                      | Error! Bookmark not defined. |
| <b>Defense Security Service (DSS)</b>                           | Error! Bookmark not defined. |
| <b>Defense Threat Reduction Agency (DTRA)</b>                   | Error! Bookmark not defined. |
| <b>Defense Technology Security Administration (DTSA)</b>        | Error! Bookmark not defined. |
| <b>Department of Defense Dependents Education (DoDDE)</b>       | Error! Bookmark not defined. |
| <b>National Defense University (NDU)</b>                        | Error! Bookmark not defined. |
| <b>Office of Economic Adjustment (OEA)</b>                      | Error! Bookmark not defined. |
| <b>Office of the Secretary of Defense (OSD)</b>                 | Error! Bookmark not defined. |
| <b>United States Special Operations Command (USSOCOM)</b>       | Error! Bookmark not defined. |
| <b>The Joint Staff (TJS)</b>                                    | Error! Bookmark not defined. |
| <b>Washington Headquarters Services (WHS)</b>                   | Error! Bookmark not defined. |
| <b>U.S. Court of Appeals for the Armed Forces Appropriation</b> | Error! Bookmark not defined. |
| <b>Office of the Inspector General (OIG)</b>                    | Error! Bookmark not defined. |

**Former Soviet Union Threat Reduction Cooperative Threat Reduction Program** [Error! Bookmark not defined.](#)

**Overseas Humanitarian, Disaster, and Civic Aid, Defense (OHDACA)** [Error! Bookmark not defined.](#)

**Support for International Sporting Competitions (SISC)** [Error! Bookmark not defined.](#)

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**OPERATION AND MAINTENANCE, DEFENSE-WIDE**

| \$ in millions | FY 2005<br><u>Actual</u> | Price<br><u>Change</u> | Program<br><u>Change</u> | FY 2006<br><u>Estimate*</u> | Price<br><u>Change</u> | Program<br><u>Change</u> | FY 2007<br><u>Estimate</u> |
|----------------|--------------------------|------------------------|--------------------------|-----------------------------|------------------------|--------------------------|----------------------------|
| Total O&M,D-W  | 21,534                   | 652                    | -2,155                   | 20,031                      | 665                    | -620                     | 20,076                     |

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).

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)                                     |
| + 1,095 | Net growth in Classified programs  |
| 20,076  | FY 2007 President's Budget Request   |

## **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 \$1,095.5 million, is primarily in the National Intelligence Programs. (\$304.6 million for pricing changes and \$790.9 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 funds 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)
- 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 50 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)
- 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)
- 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 160<sup>th</sup> 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)
- 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)

SUMMARY BY AGENCY

| <b>Agency</b>      | <b>FY 2005<br/>Actuals</b> | <b>Price<br/>Growth</b> | <b>Program<br/>Growth</b> | <b>FY 2006<br/>Estimate</b> | <b>Price<br/>Growth</b> | <b>Program<br/>Growth</b> | <b>FY 2007<br/>Estimate</b> |
|--------------------|----------------------------|-------------------------|---------------------------|-----------------------------|-------------------------|---------------------------|-----------------------------|
| 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                   |
| <b>Grand Total</b> | <b>21,534,488</b>          | <b>651,584</b>          | <b>-2,154,950</b>         | <b>20,031,122</b>           | <b>664,653</b>          | <b>-620,119</b>           | <b>20,075,656</b>           |

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