

FAMILY HOUSING

O&M SUMMARY

DEPARTMENT OF THE AIR FORCE
MILITARY FAMILY HOUSING
FISCAL YEAR 2004 BUDGET REQUEST

OPERATIONS, UTILITIES AND MAINTENANCE

(Excluding Leasing, Debt, and Privatization)

Program (\$ in Thousands)

FY 2004 Program \$669,987

FY 2003 Program \$744,695

Purpose and Scope: Provides operations and maintenance resources to pay for the cost of ownership in terms of property management, utilities, and day-to-day maintenance.

a. Operations. This portion of the program provides for operating expenses in the following sub-accounts:

(1) Management. Includes installation-level management such as housing office operations, quality assurance evaluators, administrative support, and community liaison. It also supports the Family Housing Master Plan and General Officer Quarter Master Plan efforts. Further, it supports the housing referral program, assisting the 60% of Air Force families that live in local communities to find quarters in the private sector and implementing the Fair Housing Act of 1968. Referral services will also provide information and service to place members in privatized housing. Housing Management offices provide counseling on housing decision-making, advance information on new base of assignment, and assist members through settling-in and home-finding.

(2) Services. Provides basic support services including refuse collection and disposal; fire and police protection; entomology and pest control; and snow removal and street cleaning.

(3) Furnishings. Procures household equipment (primarily stoves and refrigerators) and, in limited circumstances (largely overseas), furniture; control furnishings inventories; and maintains and repairs furniture and appliances.

(4) Miscellaneous. Provides mobile home hookups, leased office and warehouse space supporting family housing, and payments to other federal agencies or foreign governments to operate permit housing units occupied by Air Force personnel.

b. Utilities. Includes all purchased and base-produced heat, electricity, water, sewer, and gas utilities serving family housing. Occupants purchase their own telephone and cable TV service.

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c. Maintenance. Provides upkeep of family housing real property, as follows:

(1) Maintenance/Repair of Dwellings. Service calls. routine maintenance. repairs, and replacement of deteriorated facility components.

(2) Exterior Utilities. Maintenance and repair of water. sewer, electric, steam and gas lines supporting family housing areas.

(3) Other Real Property. Upkeep of grounds. common areas, roads, parking areas. and other property for the exclusive use of family housing occupants not discussed above.

(4) Alterations and Additions. Minor alterations to housing units or housing support facilities. Large scope and high dollar-value projects are included in the construction program.

The Air Force family housing budget requests essential resources to provide military families with housing either in the private market through assistance from a housing referral office. or in privatized or government housing. Increased emphasis has been placed on the proper funding of the family housing operations and maintenance program. The Air Force's FY04 Operation and Maintenance programs emphasize the following goals:

* Identify affordable housing for military members. Where shortages exist, identify project proposals to privatize or request new construction or leasing of housing for military families.

* Reduce utility consumption through increased management emphasis on energy conservation. maintenance and repair projects to reduce energy consumption. and whole-house improvements to improve energy efficiency.

* Reduce furnishings inventories in accordance with transfers and realignments. Redistribute excess furnishings from realigned bases.

* Fund government appliances and furniture consistent with cost/benefit studies and the delivery of new housing units which need government-supplied appliances.

* Continue the Quarters Cleaning Initiative (QCI) which helps limit expensive overseas temporary lodging allowances (TLAs) to approximately three days in lieu of the 10-day maximum. QCI program costs are offset by known savings in TLA accounts.

* Invest wisely in maintenance and repairs to preserve and restore the existing housing inventory worldwide. The top priorities are preservation of the good inventory that we have--

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keeping “good houses good”--and resolving problems that are a threat to life, safety, or health. We continue to buy down the backlog of deferred maintenance, including neglected infrastructure, and sustain our inadequate units until they are privatized, receive a whole house improvement, or are replaced. We will also execute emerging anti-terrorism and force protection requirements as they are defined.

* Schedule maintenance and repair activities along with whole-house improvements to obtain the greatest enhancement in livability while increasing the useful life of housing units with the minimum capital investment and minimum impact on occupants.

* Continue Senior Air Force leadership focus on comprehensive GOQ program improvements to include a GOQ Master Plan that details facility condition in addition to maintenance and repair and investment needs of every GOQ.

* Continue installation, operation, maintenance, and improvements of the Automated Civil Engineer System-Housing Module, an Air Force-wide computer system designed to assist in all phases of housing management. On-going initiatives include fielding of software needed to fulfill daily assignment, scheduling, maintenance, and inspection of units. Improved customer service, reduced operations costs, and better management control are anticipated through the fielding of this system.

Operation and Maintenance FY 2004 Program Summary - Highlights

Authorization/Appropriation is requested in FY 2004 for \$669.987. This amount, together with estimated reimbursements of \$11.391, will fund the FY 2004 Operation and Maintenance program of \$681.378.

A summary of the funding program for FY 2004 is as follows (\$ in thousands):

<u>Operations</u>	<u>Utility</u>	<u>Maintenance</u>	<u>Total Direct</u>	<u>Reimburse-</u>	<u>Total</u>
<u>Request</u>	<u>Request</u>	<u>Request</u>	<u>Request</u>	<u>ment</u>	<u>Program</u>
\$141,686	\$132.651	\$395.650	\$669.987	\$11.391	\$681,378

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Fiscal Year:		2002*		2003*		2004	
USAF FY2004 PB							
Family Housing Operation and Maintenance, Summary							
Excludes Leased Units and Costs							
Worldwide Summary							
Fiscal Year: 2004							
Command: USAF							
Exhibit: FH-2							
Inventory Data (Units)							
Units in Being Beginning of Year		103,883		98,698		79,696	
Units in Being at End of Year		98,698		79,696		72,915	
Average Inventory for Year		101,291		89,197		76,306	
Funding Requirements (\$000)		Total Cost (\$000)		Unit Cost (\$)		Total Cost (\$000)	
						Unit Cost (\$)	
OPERATIONS (DIRECT)							
Management		61,635	608	48,140	540	70,083	918
Services		29,381	290	25,005	280	26,070	342
Furnishings		36,667	362	35,375	397	43,006	564
Miscellaneous		1,780	18	1,501	17	2,527	33
Sub-Total Direct Operations		129,463**	1,278	110,021	1,233	141,686	1,857
Anticipated Reimbursements		1,762	17	1,791	20	1,481	19
Gross Obligations, Operations		131,225	1,296	111,812	1,254	143,167	1,876
UTILITIES (DIRECT)							
Direct Utilities		158,311	1,563	132,032	1,480	132,651	1,738
Anticipated Reimbursements		8,370	83	8,504	95	7,746	102
Gross Obligations, Utilities		174,512	1,723	140,536	1,576	140,397	1,840
MAINTENANCE (DIRECT)							
M&R Dwelling		334,951	3,307	381,844	4,281	288,837	3,785
M&R Ext. Utilities		20,748	205	22,503	252	39,105	512
M&R Other Real Property		24,841	245	28,710	322	33,985	445
Alter & Add.		33,026	326	40,157	450	33,723	442
AT/FP ***				29,428			
Sub-Total Direct Maintenance		413,566	4,083	502,642	5,635	395,650	5,185
Anticipated Reimbursements		881	9	894	10	2,164	28
Gross Obligations, Maintenance		414,447	4,092	503,536	5,645	397,814	5,213
GRAND TOTAL, O&M - NOA		701,340	6,924	744,695	8,349	669,987	8,780
Anticipated Reimbursements		11,013	109	11,190	125	11,391	149
GRAND TOTAL, O&M - TOA		712,353	7,033	755,885	8,474	681,378	8,930

- Inventory has been adjusted from previous budget to reflect program and execution changes
- * FY02 Actual is \$141,797 which includes \$12,334 in FCF account not shown here.
- ** AT/FP funding is included in unit cost for maintenance in FY03.

SOME AMOUNTS DO NOT ADD DUE TO ROUNDING

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USAF FY2004 PB		Fiscal Year: 2004	
Family Housing Operation and Maintenance, Summary		Command: USAF	
Excludes Leased Units and Costs		Exhibit: FH-2	
Conterminous US			
Fiscal Year:	2002	2003*	2004
Inventory Data (Units)			
Units in Being Beginning of Year	74,100	69,115	52,168
Units in Being at End of Year	69,115	52,168	45,387
Average Inventory for Year	71,608	60,642	48,778
	Total Cost	Total Cost	Total Cost
	(\$000)	(\$000)	(\$000)
	Unit cost (\$)	Unit Cost (\$)	Unit Cost (\$)
Funding Requirements (\$000)			
OPERATIONS (DIRECT)			
Management	41,912	30,880	35,042
Services	16,160	12,480	14,039
Furnishings	6,967	5,867	5,962
Miscellaneous	356	262	866
Sub-Total Direct Operations	65,395	49,489	55,909
Anticipated Reimbursements	1,286	1,311	779
Gross Obligations, Operations	66,681	50,800	56,688
UTILITIES (DIRECT)			
Direct Utilities	101,319	81,977	78,887
Anticipated Reimbursements	6,110	6,225	6,817
Gross Obligations, Utilities	107,429	88,202	85,704
MAINTENANCE (DIRECT)			
M&R Dwelling	227,721	238,899	188,797
M&R Ext. Utilities	12,586	9,886	22,275
M&R Other Real Property	13,855	14,739	17,005
Alter & Add.	13,527	13,036	2,628
Sub-Total Direct Maintenance	267,689	276,560	230,705
Anticipated Reimbursements	643	655	1,801
Gross Obligations, Maintenance	268,332	277,215	232,506
GRAND TOTAL, O&M - NOA	434,403	408,026	365,501
Anticipated Reimbursements	8,039	8,191	9,397
GRAND TOTAL, O&M - TOA	442,442	416,217	374,898

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USAF FY2004 PB		Fiscal Year:		2004		
Family Housing Operation and Maintenance, Summary		Command:		USAI		
Excludes Leased Units and Costs		Exhibit:		FH-		
US Overseas						
Fiscal Year:	2002'	2003'	2004			
Inventory Data (Units)						
Units in Being Beginning of Year	5.918	5,822	3,840			
Units in Being at End of Year	5.822	3840	3,840			
Average Inventory for Year	5.870	4,831	3,840			
	Total Cost	Unit	Total Cost	Unit	Total Cost	Unit
Funding Requirements (\$000)	(\$000)	Cost (\$)	(\$000)	Cost (\$)	(\$000)	Cost (\$)
OPERATIONS (DIRECT)						
Management	3,698	630	2,925	605	6,990	1,820
Services	1,763	300	1,342	278	1,573	410
Furnishings	2,200	375	2,009	416	1,988	518
Miscellaneous	107	18	78	16	0	0
Sub-Total Direct Operations	7,768	1,323	6,354	1,315	10,551	2,748
Anticipated Reimbursements	88	15	78	16	90	23
Gross Obligations, Operations	7,856	1,338	6,432	1,331	10,641	2,771
UTILITIES (DIRECT)						
Direct Utilities	22,164	3,776	18,537	3,837	20,849	5,429
Anticipated Reimbursements	419	71	366	76	385	100
Gross Obligations, Utilities	22,583	3,847	18,903	3,913	21,234	5,530
MAINTENANCE (DIRECT)						
M&R Dwelling	33,727	5,746	34,298	7,100	23,881	6,219
M&R Ext. Utilities	4,170	710	3,520	729	11,128	2,898
M&R Other Real Property	6,462	1,101	7,084	1,466	5,485	1,428
Alter & Add	406	69	66	14	2,043	532
Sub-Total Direct Maintenance	44,765	7,626	44,968	9,308	42,537	11,077
Anticipated Reimbursements	44	7	38	8	48	13
Gross Obligations, Maintenance	44,809	7,634	45,006	9,316	42,585	11,090
GRAND TOTAL, O&M - NOA	74,697	12,725	69,859	14,461	73,937	19,254
Anticipated Reimbursements	551	94	482	100	523	136
GRAND TOTAL, O&M - TOA	75,248	12,819	70,341	14,560	74,460	19,391

• Inventory has been adjusted from previous budget to reflect program and execution changes

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USAF FY2004 PB		Fiscal Year: 2004	
Family Housing Operation and Maintenance, Summary		Command: USAF	
Excludes Leased Units and Costs		Exhibit: FH-	
Foreign			
Fiscal Year:	2002'	2003'	2004
Inventory Data (Units)			
Units in Being Beginning of Year	23,865	23,761	23,688
Units in Being at End of Year	23,761	23,688	23,688
Average Inventory for Year	23.813	23.725	23,688
	Total cost	Total Cost	Total Cost
	(\$000)	(\$000)	(\$000)
	Unit	Unit	Unit
	cost (\$)	cost (\$)	Cost (\$)
OPERATIONS (DIRECT)			
Management	16,025	14,335	28,051
Services	11,458	11,183	10,458
Furnishings	27,500	27,499	35,056
Miscellaneous	1,317	1,161	1,661
Sub-Total Direct Operations	56,300	54,178	75,226
Anticipated Reimbursements	388	404	612
Gross Obligations, Operations	56,688	84,882	76,838
	2,364	2,284	3,176
	16	17	26
	2,381	2,301	3,202
UTILITIES (DIRECT)			
Direct Utilities	34,828	31,518	32,915
Anticipated Reimbursements	1,841	1,913	544
Gross Obligations, Utilities	36,669	33,431	33,469
	1,463	1,329	1,390
	77	81	23
	1,540	1,409	1,412
MAINTENANCE (DIRECT)			
M&R Dwelling	73,503	108,647	76,159
M&R Ext. Utilities	3,992	9,097	5,702
M&R Other Real Property	4,524	6,887	11,495
Alter & Add.	19,093	27,055	29,052
Sub-Total Direct Maintenance	101,112	151,686	122,408
Anticipated Reimbursements	194	201	315
Gross Obligations, Maintenance	101,306	151,987	122,723
	4,254	6,402	6,161
GRAND TOTAL, O&M - NOA	192,240	237,382	230,549
Anticipated Reimbursements	2,423	2,518	1,471
GRAND TOTAL, O&M - TOA	194,663	239,900	232,020
	8,073	10,006	9,733
	102	106	62
	8,175	10,112	9,795

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USAF FY2004 PB		Fiscal Year: 2004	
Summary of Historic Housing Unit Detail		Command: USAF	
		Exhibit: FH-6	
		Fiscal Year: 2002'	22004
1. Historic Housing Costs, Non-GOQ Data			
a. Number of Non-GOQ units on NHRP (Inventory)	1,010	1,012	1,012
b. Improvement Costs (\$000)	525	180	720
c. Maintenance and Repair Costs (\$000)	3,428	5,448	4,975
d. Total Historic Maintenance, Repair, Improvements (\$000)	3,953	5,628	5,695
e. Average Cost Per Unit (\$000)	3	5	5
2. Historic Housing Costs, GOQ Data			
a. Number of GOQ units on NHRP (Inventory)	54	51	51
b. Improvement Costs (\$000)	216	85	728
c. Maintenance and Repair Costs (\$000)	860	626	1,082
d. Total Historic Maintenance, Repair, Improvements (\$000)	1,076	711	1,810
e. Average Cost Per Unit (\$000)	20	14	35
3. Total Historic Inventory & Costs (Non-GOQ & GOQ)			
a. Number of Non-GOQ & GOQ units on NHRP (Inventory)	1,064	1,063	1,063
b. Improvement Costs (\$000)	741	265	1,448
c. Maintenance and Repair Costs (\$000)	4,288	6,074	6,057
d. Total Historic Maintenance, Repair, Improvements (\$000)	5,029	6,339	7,505
e. Average Cost Per Unit (\$000)	5	6	7

*Inventory was adjusted to reflect updates to real property records.

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OPERATIONS

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RECONCILIATION OF INCREASES AND DECREASES

EXHIBIT OP-5

OPERATIONS

(Program In Thousands)
FY 2004 Program \$141,686
FY 2003 Program \$110.021

The FY 2004 program represents Air Force family housing requirements and was developed using OSD (C)/OMB approved inflation and foreign currency fluctuation rates. Adjustments have been made for force structure changes and mission realignments. All program sub-accounts are described in detail in the following analyses:

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Management. The Management account includes installation-level housing office operations, quality assurance, administrative support, community liaison, and annual service fees paid to the Corporate-Trust Company to provide the required corporate presence in Delaware. The housing referral program assists members to find homes in the private sector and implements the Fair Housing Act of 1968.

		(\$ in Thousands)
1.	FY 2003 President's Budget	\$48,473
2.	Congressional Adjustments:	
	a. General Reduction	-\$333
3.	FY 2003 Appropriated Amount:	\$48,140
4.	Supplementals:	None
5.	Price Growth:	None
6.	Functional Program Transfers:	None
7.	Program Increases:	None
8.	Program Decreases:	None
9.	FY 2003 Current Estimate	\$48,140
10.	Price Growth:	
	a. Net Inflation Adjustment	-\$391
	b. Foreign Currency Fluctuation Rate Adjustment	None
11.	Functional Program Transfer:	None
12.	Program Increases:	
	a. Cost growth for planning and A-E services	+\$15,987
	b. Cost growth due to increase in annual service fees and quality assurance efforts	+\$5,598
	c. Foreign Currency Fluctuation Rate Adjustment	+\$749
13.	Program Decreases	None
14.	FY 2004 Budget Request:	\$70,083

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Analysis of Change in Management

The Management sub-account contains predominately fixed costs such as salaries and required administrative support supplies and equipment. However, as part of our management activity, we are completing development of new computer-based work tools to improve customer service and management of resources. This effort includes implementation of the Automated Civil Engineer System-Housing Module (ACES-HM), which improves customer services and data sharing for overall program management and also provides interactive training.

The Management sub-account is not per-unit specific since there is a basic level of support and manning for the base housing office regardless of the number of units. The management sub-account also provides funds for Housing Market Analyses at each base to determine the proper amount of housing needed to support the assigned population; supports the Family Housing Master Plan, which is the source document for future housing decisions; and funds General Officer Quarter Master Plan efforts.

Increased pace of housing unit inventory reduction continues to drive the cost per unit up and therefore, program reduction estimates. However, management effort is not reduced on the same graduated scale as inventory reduction. When considering the Management requirement for privatized units, the management effort may remain unchanged for bases where the unit inventory reduction is as high as 100 units. It should also be noted that regardless of privatization of units or competitive sourcing of housing flight operations, the Air Force will provide a small core of government housing expertise at all locations to advise local commanders. This is called a housing Functional Advisory Staff (FAS), and funding for FAS level of housing management support is included. For these reasons the reductions in management costs from privatization are minimal.

To support our aggressive revitalization plan, our master planning efforts have expanded, leading to increased costs for planning and A-E services. Additionally, management costs have increased faster than inflation, as reflected in our need to reprogram more than 10% into this account in FY03.

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Services. Provides basic support services such as refuse collection and disposal; tire and police protection; entomology and pest control: snow removal: and street cleaning.

	(\$ in Thousands)
1. FY 2003 President's Budget	\$25.178
2. Congressional Adjustments:	
a. General Reduction	-\$173
3. FY 2003 Projected Appropriated Amount:	\$25.005
4. Supplementals:	None
5. Price Growth:	None
6. Functional Program Transfers:	None
7. Program Increases:	
8. Program Decreases:	None
9. FY 2003 Current Estimate	\$25,005
10. Price Growth:	
a. Net Inflation Adjustment	-\$39
11. Functional Program Transfer:	None
12. Program Increases:	
a. Increased costs for service and maintenance contracts (e.g. refuse collection. entomology)	+\$5,234
b. Foreign Currency Fluctuation Rate Adjustment	+\$279
13. Program Decreases:	
a. Inventory decrease (-12.891 units x \$342/unit = - \$4.409)	-\$4,409
14. FY 2004 Budget Request:	\$26,070

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Analysis of Changes in Services

The Services budget request has been decreased as a result of scheduled privatization of housing units. However, funds are still required to provide services until privatization contracts are actually awarded.

The Services sub-account has increased primarily due increased costs in service and maintenance contracts. Examples include refuse collection, entomology, and street cleaning.

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Furnishings. Includes the procurement for initial issue and replacement of household equipment (primarily stoves and refrigerators) and in limited circumstances overseas. furniture; the control. moving. and handling of furnishings inventories: and the maintenance and repair of such items.

Loaner sets of furniture are issued to military families overseas so they may occupy permanent quarters prior to the arrival of personally owned furniture. Loaner sets are very cost effective because they reduce the cost of temporary quarters. Other items of household furnishings, normally built into CONUS houses. which are limited or not included in foreign country local construction standards. such as wardrobes (clothes closets). kitchen cabinets or sideboards and appliances, are also issued to military families.

Leases in Europe also require closets and kitchen cabinets to be issued along with appliances since leased units overseas do not have the same accommodations available as in the United States.

The furnishings account funds essential furnishings at levels consistent with cost/benefit studies and the needs of the Air Force. Much of the funding requested in the furnishings account results from an analysis of the most economical or cost effective way to fulfill Air Force requirements. Issuing furnishings by the government avoids higher costs in other accounts such as military allowances and other support appropriations.

	(\$ in Thousands)
1. FY 2003 President's Budget	\$35.619
2. Congressional Adjustments:	
a. General Reduction	-\$245
3. FY 2003 Appropriated Amount:	\$35,374
4. Supplementals:	None
5. Price Growth:	None
6. Functional Program Transfers:	None

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7.	Program Increases:	None
8.	Program Decreases:	None
9.	FY 2003 Current Estimate	\$35.374
10.	Price Growth:	
	a. Net Inflation Adjustment	+\$152
11.	Functional Program Transfer:	None
12.	Program Increase:	
	a. Increase due to Phase I of the Furnishings Replacement Plan	+\$9,284
	b. Foreign Currency Fluctuation Rate Change	+\$460
13.	Program Decreases:	
	a. Inventory decrease:	-\$1,960
	CONUS: (-1 1.864 units x \$122/unit = -\$1.447K)	
	US Overseas (-991 units x \$518/unit = -\$513K)	
14.	FY 2004 Budget Request:	\$43.006

Analysis of Changes in Furnishings

Furnishings costs are trending downward over the long term from over \$50 million per year in the late 1980's to \$35.4M in FY03. Base closures and realignments from overseas have been the primary cause of these reductions. Also most overseas Air Force bases have transitioned from limited Joint Federal Travel Regulation (JFTR) to full JTFR entitlements, which means less government furniture is required. Inventory decreases also drive decreases in the funds requested, however all of the inventory decreases are in the CONUS or US overseas, so the effect on the account is minimal.

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This request addresses the needs of newly constructed and leased housing units being added to the Air Force inventory to compensate for housing deficits. Funding is required to support initial issue requirements for RAF Lakenbeath, England and Aviano AB, Italy build-to-lease units coming on line in FY04. The bulk of the units come on line in FY02 and FY03, however, so the initial issue "surge" has been somewhat reduced from the FY03 budget.

Existing furnishings inventory overseas at some locations is beyond its serviceable life with the overwhelming majority of the inventory dating from the Vietnam War era. The first phase of replacing this inventory will require \$9.285K in FY 04.

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USAF FY2004 PB Family Housing Summary of Furnishings Detail (\$000)											Fiscal Year	2004			
											Command	USAF			
											Exhibit	FH-3			
Category	Furnishings Less Household Equipment					Household Equipment					Total Furnishings				
	Moving/ Handling	Maint/ Repair	Replace ment	Initial Issue	Total	Moving/ Handling	Maint/ Repair	Replace ment	Initial Issue	Total	Moving/ Handling	Maint/ Repair	Replace ment	Initial Issue	Total
FY02														0	0
CONUS	28	229	286	17	660	278	2,476	3,653	0	6,407	306	2,705	3,939	17	6,967
us overseas	1,270	306	525	0	2,101	10	12	77	0	99	1,280	318	602	0	2,200
Foreign*	5,069	4,337	7,453	0	16,869	3,454	3,730	3,457	0	10,641	8,523	8,067	10,910	0	27,500
Public	3,431	2,842	6,194	0	12,467	2,056	2,297	2,339	0	6,692	5,487	5,139	8,533	0	19,169
Private	1,638	1,495	1,259	0	4,392	1,398	1,433	1,118	0	3,949	3,036	2,928	2,377	0	8,341
Total	6,367	4,872	8,264	17	19,520	3,742	6,216	7,167	0	17,147	10,109	11,090	16,451	17	36,667
FY03															
CONUS	28	230	293	17	666	308	2,037	2,954	0	5,299	336	2,267	3,247	17	6,667
US Overseas	1,082	312	516	0	1,910	10	12	77	0	99	1,092	324	593	0	2,009
Foreign*	5,269	4,525	7,307	0	17,121	3,219	4,040	3,119	0	10,376	8,508	8,565	10,426	0	27,499
Public	3,625	2,940	6,086	0	12,661	1,803	2,534	1,907	0	6,244	5,428	5,474	7,993	0	16,695
Private	1,664	1,585	1,221	0	4,470	1,416	1,506	1,212	0	4,134	3,080	3,091	2,433	0	8,604
Total	6,399	5,067	8,116	17	19,699	3,637	6,055	7,236	0	16,728	9,936	11,166	14,266	17	36,376
FY04															
CONUS	29	332	399	17	777	250	2,186	2,736	0	6,172	279	2,518	3,135	30	6,962
us Overseas	1,052	395	430	0	1,677	31	30	50	0	111	1,083	425	480	0	1,966
Foreign*	6,123	4,811	11,415	273	22,622	4,226	4,397	4,084	0	12,707	10,349	9,208	15,499	0	36,066
Public	4,202	3,002	9,920	273	17,397	2,340	2,833	2,809	0	1,962	6,542	5,835	12,729	0	26,106
Private	1,921	1,809	1,495	0	5,225	1,886	1,564	1,275	0	4,726	3,807	3,373	2,770	0	9,960
Total	7,204	5,538	12,244	290	25,276	4,507	6,613	6,670	0	17,990	11,711	12,151	19,114	30	43,006

NOTE: Foreign Furnishings are reported in two categories, private and public. The private category includes the cost of furnishing provided to members who rent off base at foreign installations. The public category includes the cost of furnishings provided to members in Government leased or owned housing at foreign installations.

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FISCAL YEAR 200-1 BUDGET REQUEST

Miscellaneous. Includes mobile home hookups, leased office and warehouse space supporting family housing, payments to other Federal agencies or foreign governments (i.e. United Kingdom and Australia) to operate Permit Housing units occupied by Air Force personnel, and similar costs.

	(\$ in Thousands)
1. FY 2003 President's Budget	\$1.511
2. Congressional Adjustments:	
a. Across-the-Board Reduction	-\$10
3. FY 2003 Projected Appropriated Amount:	\$1.501
4. Supplementals:	None
5. Price Growth:	None
6. Functional Program Transfers:	None
7. Program Increases:	None
8. Program Decreases.	None
9. FY 2003 Current Estimate	\$1.501
10. Price Growth:	
a. Net Inflation Adjustment	-\$17
11. Functional Program Transfer:	None
12. Program Increases:	
a. Increases in UK accommodation charges.	+\$1,444
b. Foreign Currency Fluctuation Rate Adjustment	+\$27
13. Program Decreases:	
a. Inventory decrease (-12.891 units x \$33/unit = -\$428K)	-\$428
14. FY 2003 Budget Request:	\$2.527

DEPARTMENT OF THE AIR FORCE
MILITARY FAMILY HOUSING
FISCAL YEAR 2004 BUDGET REQUEST

Analysis of Changes in Miscellaneous

This program covers incidental costs in support of family housing such as furniture storage overseas. Temporary storage is often required while housing units are transitioned either into or out of the Air Force inventory. Temporary storage requirements are decreasing as the Aviano and Lakenheath build-lease programs complete their initial issue. Miscellaneous costs also include implementation of the International Cooperative Administrative Support Services (ICASS) Program. ICASS is a system for managing and sharing the administrative support costs of overseas operations with US Foreign Affairs agencies and other US Government agencies that operate as part of the country team at US Embassies.

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UTILITIES

DEPARTMENT OF THE AIR FORCE
MILITARY FAMILY HOUSING
FISCAL YEAR 2004 BUDGET REQUEST

RECONCILIATION OF INCREASES AND DECREASES

EXHIBIT OP-5

Utilities. This program provides for all utilities consumed in government-owned family housing. Electricity, purchased heating, water, sewage and waste systems are included. MFH facilities consume approximately one-sixth of Air Force facility energy usage; therefore, MFH residents and management share a significant role in the achievement of Air Force energy reduction goals. Since MFH occupants are not billed for their energy consumption, conservation motivation comes primarily from command emphasis. Energy projects to install more efficient heating and air conditioning equipment, insulation in crawl and attic spaces, and thermal doors and windows are also achieving good results toward the attainment of Air Force energy conservation goals.

	(\$ in Thousands)
1. FY 2003 President's Budget	\$132,945
2. Congressional Adjustments:	
a. Across-the-Board Reductions	-\$913
3. FY 2003 Appropriated Amount:	\$132,032
4. Supplementals:	None
5. Price Growth:	None
6. Functional Program Transfers:	None
7. Program Increases:	None
8. Program Decreases:	None
9. FY 2003 Current Estimate	\$132,032
10. Price Growth:	
a. Net Inflation Adjustment	-\$270
b. Fuel Inflation Price Increase	+\$400

DEPARTMENT OF THE AIR FORCE
MILITARY FAMILY HOUSING
FISCAL YEAR 200-t BUDGET REQUEST

11. Functional Program Transfer:	None
12. Program Increases:	
a. Normalize funding per current year	+\$21.379
b. Foreign Currency Fluctuation Rate Adjustment	+\$1,515
13. Program Decreases:	
a. Inventory decrease (-12,891 units x \$1738/unit = -\$22,405K)	-\$22,405
14. FY 2004 Budget Request:	\$132,651

Analysis of Changes in Utilities

As we look to the future based on current DOE projections, we expect stable to slowly increasing in energy prices. The requirement for FY 2004 is developed from historical expenditures as adjusted for inventory reductions. FY02 expenditures are projected at \$158M or \$15.63 per unit. The FY03 per unit costs are slightly less than this because at the time the FY03 PB was submitted there was widespread belief that FY02 and FY03 costs would decrease substantially from FY01. In fact this did not happen, and utility rates have remained stable. As a result, FY04 funding is budgeted at a per unit rate (\$1.738) that reflects the FY02 actual program plus slight cost increases. The upward adjustment shown in the OP-5 above was made to achieve this level of funding per unit.

This level of funding is dependent upon successful completion of the aggressive housing privatization program that is forecasted for FY03 and FY04. If these projects are delayed additional funding will be sought to pay these "must pay" bills.

The consumption stream shown in the table below is consistent with Air Force goals of reducing consumption and costs through conversion to more efficient energy systems and installation of energy-saving materials and devices in housing units.

MAINTENANCE

DEPARTMENT OF THE AIR FORCE
MILITARY FAMILY HOUSING
FISCAL YEAR 2004 BUDGET REQUEST

RECONCILIATION OF INCREASES AND DECREASES

EXHIBIT OP-5

Maintenance. Provides upkeep of family housing real property. through service calls, change of occupancy rehabilitation. routine maintenance. preventive maintenance, interior and exterior painting. and major repairs.

(\$ in Thousands)

1.	FY 2003 President's Budget	\$476,485
2.	Congressional Adjustments:	
	a. AT/FP Add	+\$29,631
	b. Across-the-Board Reduction	-\$3,474
3.	FY 2003 Appropriated Amount:	\$502,642
4.	Supplementals:	None
5.	Price Growth:	None
6.	Functional Program Transfers:	None
7.	Program Increases:	None
8.	Program Decreases:	None
9.	FY 2003 Current Estimate	\$502,642
10.	Price Growth:	
	a. Net Inflation Adjustment	\$79
11.	Functional Program Transfers	None
12.	Program Increases:	

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a. Privatization savings: The Maintenance account includes funds transferred from the Operations and Utilities accounts in expectation of privatization contracts being awarded on schedule. Additionally, increased emphasis on maintenance and repair is required to minimize escalating growth in the backlog of deferred maintenance to ensure the AF meets its 2007/2009 goal.	+\$13,375
Foreign Currency Fluctuation Adjustment	+\$5,025
13. Program Decreases	
a. Inventory Decrease (-12,891 x \$5,185/unit = \$66.840)	-\$66,840
b. FY04 President's Budget Review	-\$29,000
c. Normalizes FY04 to Normal Levels After the AT/FP Increase in FY03	-\$29,631
14. FY 2004 Budget Request	\$395,650

Analysis of Changes in Maintenance Program

The maintenance account reflects Air Force Family Housing Master Plan (AF FHMP) priorities and begins to arrest growth of our deferred housing maintenance and repair requirements within fiscal constraints. Although we have not eliminated our deferred maintenance and repair backlog, continued Congressional emphasis has allowed us to advance in this area. As a result of MILCON and housing privatization, the AF FHMP projects in FY04 the need to revitalize approximately 40,000 inadequate houses, which is improved from the FY01 projection of 65,000 inadequate houses. Continued stable funding is required to keep our "good units good" and ensure sustainment of our inadequate units until they are privatized, receive a whole house improvement, or are replaced.

The AF FHMP draws a distinct line between military construction and maintenance funding. Architect and engineering firms gathered housing condition assessment data on every housing type in the Air Force. This data documents the existing condition of major housing system components (ex: roofs, furnaces, carpet, window, cabinets) and then, using industry standard life cycles, projects the replacement requirement for these components (ex: roof: 15-20 years; gas furnace: 20 years). The overall condition of housing components and replacement cost determined whether each requirement was projected for replacement or improvement through the military construction program or to be maintained using Real Property Maintenance by Contract

DEPARTMENT OF THE AIR FORCE
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FISCAL YEAR 2004 BUDGET REQUEST

(RPMC) funds. This database was then used to project future facility funding requirements and substantiate the existence of a maintenance and repair backlog.

Housing assets are valued at over \$18 billion in replacement costs. Past limited maintenance funding and a high occupant turnover have accelerated deterioration of the Air Force housing inventory. Many of the homes were built in the 1950s and 1960s and have never received major system upgrades and lack standard amenities of community houses. Constrained MILCON and O&M funding has resulted in a greater reliance on more costly, temporary fixes which only exacerbate the deterioration of our housing units. Notably, the infrastructure systems such as streets and sewers that support the units are now beyond their projected economic lives at most installations, with several systems near failure.

Housing condition assessments conducted for the Air Force Family Housing Master Plan substantiate that a failure to adequately fund maintenance and repair eventually leads to increased military construction costs. The maintenance and repair funding profile represents a balanced, fiscally constrained program that is consistent with the DOD goal to revitalize all our inadequate housing by or before 2007/2009, while ensuring sufficient RPMC funds are available to maintain the existing adequate inventory.

The Maintenance account includes funds transferred from the Operations and Utilities account in expectation of privatization contracts being awarded on schedule. These funds will be required for the Operations and Utilities of proposed privatized units if scheduled privatization contract award dates are delayed. If the privatization contract awards occur as scheduled, then the funds will be used to reduce the backlog of infrastructure system repairs.

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**MAINTENANCE &
REPAIR OVER \$20K**

**DEPARTMENT OF THE AIR FORCE
MILITARY FAMILY HOUSING
FISCAL YEAR 2004 BUDGET REQUEST**

NON-GOQ UNITS

This information complies with the House of Representatives. Military Construction Appropriations Bill (Conference Report 106-221) requiring the Services to report major maintenance and repair expenditures projected to exceed \$20,000 per unit. While these projects are shown as line items here, the maintenance budget estimate includes them among overall requirements for the entire inventory. AF Policy is to program projects that exceed \$20K threshold when work cannot await MILCON funding. Work includes actions that keep "good units good", protect life, safety, and health, and ensure facility preservation.

Location	Base	No of Units	Year Built	High Unit		Total Cost (\$000)	Improvements Non-Routine FY1998-2004 (\$000)		
				Cost (\$000)	Unit (NSM) Proj (NSM)				
CONUS									
CO	USAFA	53	1958-60	3	1	100-150	6.625	1.754	0
First phase of a six phase project to standardize windows, siding, gutters, and insulation. Will increase energy efficiency and aesthetics of these already renovated units.									
FL	Patrick	84	1993-6	44		93-135	9,966	2.030	0
Replace all windows and sliding glass doors. Repair cracks on all exterior surfaces and install Exterior Finish Insulation System (EFIS) on all exterior surfaces. Apply color in finish coating.									
KS	McConnell	50	1959	65		88-109	4.900	2.600	0
Repair fire/life safety deficiencies, including installation of draft stops between duplex units, replacement of electrical system, and one basement window with escapable-daylight window. Replace deteriorated wood floors, driveways/sidewalks/stoops, and exterior fascia. Repair basement areas by replacing the mechanical equipment (furnace/condenser/water heater) and providing proper spacing & definition of laundry/mechanical/storage areas.									
NC	Pope	44	1975	84		107-123	5.028	2.300	0
Renovate kitchens and bathrooms to include vanities, tubs, sinks, and toilets. Replaces all doors and frames, shelving, floor coverings and light fixtures. Replaces the wood carport ceiling with metal soffit and encases existing supports. Replaces privacy fencing and screening around the HVAC equipment. Paints the interior.									

**DEPARTMENT OF THE AIR FORCE
MILITARY FAMILY HOUSING
FISCAL YEAR 2004 BUDGET REQUEST**

NON-GOQ UNITS

Location	Base	No of Units	Year Built	High Unit Cost (5000)	Unit (NSM)	Proj (NSM)	Total Cost (\$000)	Improvements Non-Routine FY 1998-2004 (\$000)
W Y	FE Warren	12	1910	111.3	253	3.036	1.169	0
This project is the fourth of five phases to replace wooden porches in the 156 unit historic. These repairs include demolition, lead based paint abatement, restoration of usable timbers, construction, and repainting. Each phase is strictly monitored by the State Historic Preservation Office (SHPO) and requires laborers to be certified for historical work prior to commencing any effort.								
OVERSEAS								
Guam	Andersen	59	1956-60	38	139	7.725	1,698	0
Replace air conditioning units with energy efficient models. Provide screen around condensing units.								
Japan	Kadena	316	1986-87	62	116	36.558	13.500	0
Replace interior domestic hot and cold pipes to include ceiling and wall work, chilled water piping system and related interior work. Replace water storage tank piping including equipment. Repair sewer drain system. Replace/modify electrical system.								
Japan	Kadena	286	1981-9	53	112	32.277	10.000	0
Replace A/C and domestic hot/cold waterlines. Replace/modify electrical system.								

G&FOQ OVER \$35K

**DEPARTMENT OF THE AIR FORCE
MILITARY FAMILY HOUSING
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GENERAL OFFICERS QUARTERS

This information complies with the 2002 MILCON Appropriations Act language requiring the Services to report any expenditures from the maintenance account for General or Flag Officer housing projected to exceed \$35,000 per unit.

AF Policy is that all work performed in GOQs will be consistent with the Individual Facility Profile (prepared as part of the GOQ Master Plan) for the affected quarters. Policy calls for programming projects that exceed \$35K threshold when work cannot await MILCON funding. Work includes actions that keep "good units good", protect life, safety, and health, and ensure facility preservation. Total maintenance costs shown below include routine maintenance actions (e.g. service calls, grass cutting) and major maintenance actions.

Location	Base	Qtrs	ID	Size NSM	Year Built	Oper Total (\$000)	Util Total (\$000)	Maint Total (\$000)	Total O&M (\$000)	Improvements Non- Routine FY1998- 2004 (\$000)
NO PROJECTS										

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REIMBURSABLE PROGRAM

DEPARTMENT OF THE AIR FORCE
MILITARY FAMILY HOUSING
FISCAL YEAR 2004 BUDGET REQUEST

RECONCILIATION OF INCREASES AND DECREASES
Exhibit OP-5

Reimbursement. Includes collections received from rental of Air Force family housing to foreign nationals, civilians and others. Included in the estimate are the anticipated reimbursements due to members who voluntarily separate that are authorized to live in government quarters for up to 6 months after separation.

		(\$ in Thousands)
1.	FY 2003 President's Budget:	\$11,190
2.	Congressional Adjustments:	None
3.	FY 2003 Appropriated Amount:	\$11,190
4.	Proposed Supplementals :	None
5.	Price Growth:	None
6.	Functional Program Transfers:	None
7.	Program Increases:	None
8.	Program Decreases	None
9.	FY2003 Current Estimate:	\$11,190
10.	Price Growth:	
	a. Net Inflation Adjustment	\$168
11.	Functional Program Transfers:	None
12.	Program Increases:	
	a. Rise in the number of voluntary separated USAF members occupying MFH for the allotted period.	\$33
13.	Program Decreases:	
14.	FY 2004 Budget Request:	\$11,391

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LEASING

DEPARTMENT OF THE AIR FORCE
MILITARY FAMILY HOUSING
FISCAL YEAR 2004 BUDGET REQUEST

LEASING

Program (\$ in Thousands)
FY 2004 Program \$119.908
FY 2003 Program \$102,978

Purpose and Scope

Provides leasing of privately owned housing for assignment as government quarters at both domestic and foreign locations when the local economy and on-base housing cannot satisfy requirements. The leasing program is authorized by 10 U.S.C. 2828 and provides for payment of rental, operations, and maintenance costs of privately-owned quarters for assignment as government quarters to military families. This program also includes funds needed to pay for services such as utilities and refuse collection when these services are not part of the contract agreement.

The Air Force continues to rely on the private sector to meet the majority of housing needs. Where the private sector rental markets and on-base housing cannot meet requirements and cost-effective alternatives do not exist, short and long-term leases are used. The Air Force must use the leasing program in high cost areas and overseas to obtain adequate housing to meet critical needs and to avoid unacceptably high member out-of-pocket costs.

Program Summary - Highlights

Authorization is requested for appropriation of \$119.908 to fund leases and related expenses in FY 2004. FY 2004 request for family housing leasing points is summarized as follows:

- (1) 9201 Foreign lease points
- (2) 5800 Section 801 lease points
- (3) 3333 Domestic lease points

Foreign Leasing

Congress controls leasing in foreign countries: first by the number of lease points authorized, then by the review and approval of contract proposals, and finally by the funds appropriated. Air Force strategy is to continue to maximize the use of government-controlled assets, thereby providing more affordable housing for our personnel and avoiding expensive off-base housing entitlements. In certain overseas locations, the Air Force is expanding the lease program to meet requirements identified in the housing market analyses.

DEPARTMENT OF THE AIR FORCE
MILITARY FAMILY HOUSING
FISCAL YEAR 2004 BUDGET REQUEST

Section 801 Leasing

This program is helping to reduce our CONUS family housing deficit at bases where Air Force families are seriously affected by housing shortages and high housing costs.

In FY 1984, Congress authorized the testing of a new leasing program for U.S. installations in P.L. 98-115, Section 801. Subsequently, nine housing communities were constructed:

Eielson AFB, AK. 300 units and 366 units
Hanscom AFB, MA. 163 units
Goodfellow AFB, TX. 200 units
March AFB, CA. 200 units (base closed in FY96)
Summerfield Housing, MD 1242 units (828 Air Force funded, 414 Navy funded)
Travis AFB, CA 300 units
Ellsworth AFB, SD. 200 units and 828 units
Hurlburt AFB, FL. 300 units
Cannon AFB, NM. 350 units

The Air Force contracted to have Centennial Estates Housing (828 units) constructed by Hunt Building Corporation (HBC) in 1990 and 1991 at Ellsworth AFB. Poor construction caused many units to become uninhabitable. A settlement agreement was signed by HBC on 1 Mar 99 and by the Air Force and Department of Justice on 2 Mar 99. HBC will pay the United States \$8M over a 5 year period. The settlement includes an allocation of funds to Ellsworth AFB for real property and facility maintenance which will be funded through the regular O&M appropriation versus the Military Family Housing O&M appropriation.

Domestic and Foreign Leasing (other than Section 801)

The Air Force supports independent duty personnel residing in high cost rental areas such as Los Angeles, Boston, and Denver. This support is provided since housing within Basic Allowance Housing (BAH) plus normal out of pocket expense is not available in these areas.

DEPARTMENT OF THE AIR FORCE
MILITARY FAMILY HOUSING
FISCAL YEAR 2004 BUDGET REQUEST

RECONCILIATION OF INCREASES AND DECREASES

EXHIBIT OP-5

<u>Leasing</u>	(\$ in Thousands)
1. FY 2003 President's Budget	\$103,690
2. Congressional Adjustments:	
a. General Reduction	-\$712
3. FY 2003 Appropriated Amount:	\$102,978
4. Supplementals:	None
5. Price Growth:	None
6. Functional Program Transfers:	None
7. Program Increases:	None
8. Program Decreases:	None
9. FY 2003 Current Estimate	\$102,978
10. Price Growth:	
a. Net Inflation Adjustment	-\$495
11. Functional Program Transfer:	None
12. Program Increases:	
a. New Lease Units added at Lakenheath and Kadena	+\$12,560
b. Increased lease costs at locations such as Osan, Singapore, Aviano, Spangdahlem. classified locations	+\$3,491
c. Foreign Currency Fluctuation Rate Adjustment	+\$1,374

DEPARTMENT OF THE AIR FORCE
MILITARY FAMILY HOUSING
FISCAL YEAR 2004 BUDGET REQUEST

13.	Program Decreases:	None
14.	FY 2004 Budget Request:	\$119,908

Analysis of Changes in Leasing

The attached leasing charts reflect changes to the program by locations and type of lease. These requirements are a direct result of changes to mission beddowns and other housing needs.

DEPARTMENT OF THE AIR FORCE
MILITARY FAMILY HOUSING
FISCAL YEAR 2004 BUDGET REQUEST

ANALYSIS OF LEASED UNITS (Other than Section 801)
FY 2004

LOCATION	FY 02			FY 03			FY 04		
	# UNITS	LEASE MONTHS	COST (\$000)	# UNITS	LEASE MONTHS	COST (\$000)	# UNITS	LEASE MONTHS	COST (\$000)
DOMESTIC LEASES									
Los Angeles, CA (AFRTS)	40	480	\$735	40	480	\$735	40	480	\$735
Los Angeles, CA (DFAS)	20	240	\$367	20	240	\$367	20	240	\$367
San Antonio, TX (AFRS)	113	1,356	\$1,520	110	1,320	\$1,455	112	1,344	\$1,590
San Antonio, TX (AFOATS)	46	552	\$600	41	492	\$504	43	516	\$603
Denver, CO	25	300	\$459	25	300	\$459	25	300	\$479
Denver, CO	75	900	\$1,184	75	900	\$1,184	75	900	\$1,284
New Boston, MA	2	24	\$37	2	24	\$37	2	24	\$37
Travis AFB, CA	25	300	\$480	25	300	\$492	25	300	\$520
Alameda, CA	2	24	\$44	2	24	\$46	2	24	\$47
Pinedale, WY	6	72	\$83	6	72	\$92	6	72	\$101
Unassigned	2,979	0	\$0	2,987	0	\$0	2,983	0	\$0
TOTAL DOMESTIC LEASES	3,333	4,248	5,509	3,333	4,152	5,371	3,333	4,200	5,763
FOREIGN LEASES									
Oslo, Norway	1	12	\$29	1	12	\$29	1	12	\$29
Aman, Jordan	1	12	\$30	1	12	\$30	1	12	\$29
Cairo, Egypt	5	60	\$109	5	60	\$109	5	60	\$109
Brussels, Belgium	1	12	\$13	1	12	\$13	1	12	\$13
Qatar	2	24	\$75	2	24	\$75	2	24	\$74
Manama, Bahrain	1	12	\$34	1	12	\$32	1	12	\$32
Nairobi, Kenya	1	12	\$27	1	12	\$25	1	12	\$25
Asmara, Eritrea	1	12	\$14	1	12	\$14	1	12	\$14
Aman, Jordan	2	24	\$39	2	24	\$39	2	24	\$39
Islamabad, Pakistan	1	12	\$31	1	12	\$28	1	12	\$28
Doha, Qatar	1	12	\$41	1	12	\$35	1	12	\$35
Abu Dhabi, UAE	1	12	\$52	1	12	\$54	1	12	\$54
Bangkok, Thailand	4	48	\$96	5	60	\$101	5	60	\$101
Classified Location	3	36	\$175	1	12	\$45	2	24	\$114
Osan, Korea	276	3,312	\$3,879	199	2,388	\$2,835	199	2,388	\$3,339
Kadena, Japan	0	0	\$0	0	0	\$0	200	2,400	\$5,152
Sembawang, Singapore	117	1,404	\$3,409	117	1,404	\$3,787	117	1,404	\$4,100
Aviano, Italy	700	8,400	\$11,040	700	8,400	\$11,272	700	8,400	\$12,989
Bonn Embassy, Germany	1	12	\$18	1	12	\$18	1	12	\$18
Izmir, Turkey	4	42	\$109	3	36	\$93	3	36	\$94
Lakenheath, UK	1,292	15,504	\$15,759	1,292	15,504	\$15,959	1,592	19,104	\$23,034
Stavanger, Norway	1	12	\$41	1	12	\$47	1	12	\$47
Paris, France	7	84	\$288	7	84	\$288	7	84	\$286
Paris, France	3	30	\$116	2	24	\$89	2	24	\$91
Spangdahlem, Germany	501	6,012	\$4,143	501	6,012	\$4,314	501	6,012	\$5,024
Vienna, Austria	1	12	\$37	1	12	\$44	1	12	\$45
Copenhagen, Denmark	4	48	\$145	4	48	\$145	4	48	\$145
Unassigned	6,269	N/A		6,349	N/A		5,848		
TOTAL FOREIGN LEASES	9,201	35,172	39,749	9,201	34,224	39,520	9,201	40,236	55,060
GRAND TOTAL FH-4	12,534	39,420	45,258	12,534	38,376	44,891	12,534	44,436	60,823

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Exhibit -14

DEPARTMENT OF THE AIR FORCE
MILITARY FAMILY HOUSING
FISCAL YEAR 2004 BUDGET REQUEST

ANALYSIS OF HIGH COST LEASED UNITS
(Other than Section 801)
FY 2004

LOCATION	FY 04	FY02			FY03			FY04		
	TOTAL LEASES Per Country	HIGH COST UNITS	HIGH COST Defined	EST COST	HIGH COST UNITS	HIGH COST Defined	EST COST	HIGH COST UNITS	HIGH COST Defined	EST COST
DOMESTIC LEASES										
Los Angeles, CA (AFRTS)	40	40	\$15.746	735,000	40	\$15.746	735,000	40	\$15.746	735,000
Los Angeles, CA (DFAS)	20	20		367,000	20		367,000	20		367,000
San Antonio, TX (AFRS)	112	12	to	208,600	12	to	203,146	12	to	203,146
San Antonio, TX (AFOATS)	43	5		65,200	5		62,604	5		62,604
Denver, CO	25	25	\$16,373	\$459,000	25	116.373	\$459,000	25	\$16,373	\$459,000
New Boston, MA	2	2		\$36,000	2		\$36,000	2		\$36,000
Travis AFB, CA	25	25		\$480,000	25		\$492,000	25		\$500,000
Sub-Total Domestic	267	129		2,371,000	129		2,374,752	129		2,382,752
FOREIGN LEASES										
*Oslo, Norway	1	1	\$21,080	\$29,000	1	521,060	\$29,000	1	521,060	\$29,000
*Izmir, Turkey	3	3	\$37,616	\$93,000	3	\$376,16	\$93,000	3	\$37,818	\$94,000
*Slavanger, Norway	1	1	\$21,080	\$41,000	1	521,060	\$47,000	1	\$210,60	\$47,000
*Aviano, Italy	700	1	\$16,336	\$22,000	1	\$16,336	527,000	1	516,336	\$28,000
*Sembawang, Singapore	117	117	\$3,242,772	\$3,408,700	117	\$3,242,772	\$3,767,200	117	\$3,242,772	\$3,724,600
*Pans, France	2	3**	N/A	\$116,000	2**	N/A	989,000	2**	N/A	591,000
*Copenhagen, Denmark	4	4**	N/A	\$104,000	4**	N/A	\$104,000	4**	N/A	\$104,000
*Bonn Embassy, Germany	1	1**	N/A	\$18,000	1**	N/A	\$16,000	1**	N/A	\$16,000
Manama, Bahrain	1	1	N/A	\$34,000	1**	N/A	\$32,000	1**	N/A	532,000
Islamabad, Pakistan	1	1	N/A	\$31,000	1**	N/A	\$28,000	1**	N/A	\$26,000
Doha, Qatar	1	1	N/A	541,000	1**	N/A	\$35,000	1**	N/A	\$35,000
Abu Dhabi, UAE	1	1	N/A	\$52,000	1**	N/A	\$54,000	1**	N/A	\$54,000
*Cairo, Egypt	5	1**	N/A	\$26,000	2**	N/A	\$52,000	2**	N/A	\$52,000
*Nairobi, Kenya	1	1**	N/A	\$27,000	N/A	N/A	\$0	N/A	N/A	to
*Bangkok, Thailand	5	4**	N/A	\$155,000	5**	N/A	\$155,000	5**	N/A	\$155,000
Vienna, Austria	1	1	N/A	\$37,000	1**	N/A	\$44,000	1**	N/A	\$45,000
Classified Location	2	3	N/A	\$48,000	1**	N/A	\$24,000	2**	N/A	\$24,000
Sub-Total Foreign	846	123		3,593,700	123		3,983,200	123		3,922,600
GRAND TOTAL FH-4A	1,113	252	N/A	5,964,700	252	N/A	6,357,952	252	N/A	6,305,352

(bit FH-4)

HIGH COST DOMESTIC LEASE approvals range between \$12k and \$14k per unit per year with OSD approved inflation added per year. Thirty eight of the Recruiter and ROTC leases exceed \$12K per year and details of each new or renewed lease is approved by Congress.

* HIGH COST FOREIGN LEASE criteria differs from domestic. Adjusted cost cap for overseas leases is determined by multiplying \$20k times the FY 88 exchange rate divided by the FY 03 exchange rate. Leases exceeding this cap are defined as HIGH COST and are part of the number of high cost leases allowed.

** STATE DEPARTMENT pool leases do not count against the total number of high cost leases allowed.

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DEPARTMENT OF THE AIR FORCE
MILITARY FAMILY HOUSING
FISCAL YEAR 2003 BLDGET REQUEST

FAMILY HOUSING, DEPARTMENT OF THE AIR FORCE
SECTION 801 FAMILY HOUSING SUMMARY
(Dollars In Thousands)

FY 2004

LOCATION	NO. OF UNITS	DATE OF AWARD	DATE OF FULL OCCUP	FY02 UNITS	FY02 COSTS	FY03 UNITS	FY03 COSTS	FY04 UNITS	FY04 COSTS
Hanscom AFB. MA	163	SEP 85	OCT 87	163	\$2.735	163	\$2.771	163	\$2,912
Goodfellow AFB. TX	200	SEP 86	JAN 88	300	\$2,100	200	\$2,100	200	\$2,142
Andrews AFB, MD	828	AUG 91	OCT 95	828	\$11,705	828	\$11,764	828	\$11,824
Hurlburt AFB. FL	300	JAN 91	SEP 92	300	\$3,833	300	\$3,833	300	\$3,993
Travis AFB. CA	300	SEP 89	AUG 91	300	\$1,946	300	\$4,979	300	\$5,011
Eielson AFB. AK	666	SEP 91	JAN 96	666	\$16,407	666	\$16,569	666	\$17,028
Ellsworth AFB. SD	1,028	AUG 89	JUN 91	1,028	\$14,401	1,028	\$14,432	1,028	\$14,537
Cannon AFB. NM	350	JUN 91	AUG 93	350	\$1,625	350	\$1,639	350	\$1,638
ANNUAL REQUIREMENT	3,835	N/A	N A	3,835	57,752	3,835	58,087	3,835	59,085
Unused Lease Points	1,965			1,965	\$0	1,965	\$0	1,965	\$0
GRAND TOTAL FH-4B	5,800	N/A	N/A	5,800	57,752	5,800	58,087	5,800	59,085

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HOUSING PRIVATIZATION

DEPARTMENT OF THE AIR FORCE
MILITARY FAMILY HOUSING
FISCAL YEAR 2004 BUDGET REQUEST

HOUSING PRIVATIZATION

Overview: The Air Force has 8 pilot projects (3 construction complete, 2 awarded, 2 in solicitation, and 1 in RFP development) and has 30 additional projects scheduled between FY01 and FY05 that will privatize approximately 39,000 units. The FY04 budget was increased by \$12.7M as a result of the AF accelerating its program to eliminate inadequate housing. To accomplish this, it is projected that additional installations will need to be privatized.

This program has experienced Congressional cuts in FY02 and FY03, driving a slip in the program schedule. The Air Force is working to ensure elimination of inadequate housing by the 2007/2009 goal.

Status of Awarded Projects:

AWARDED HOUSING PRIVATIZATION PROJECTS					
Base	Lackland AFB	Dyess AFB	Robins AFB	Elmendorf AFB	Wright-Patterson AFB
Location (City and State)	San Antonio, TX	Abilene, TX	Warner Robins, GA	Anchorage, AK	Dayton, OH
Award Date	Aug-98	Sep-00	Sep-00	Mar-01	Aug-02
Total # of privatized units	420	402	670	828	1536
Type of Deal (debt, equity)	Debt w/ Guarantee	Debt	Debt w/ Guarantee	Debt w/ Guarantee	Debt w/ Guarantee
Construction Status	Complete	Complete	Complete	120 Units Complete	Construction Began Aug 02
Est Construction Complete	Nov-01	Sep-02	Jun-02	Sep-03	Aug-06

Projects Included in FY04 Budget Request:

NOTE: Details on the FY04 Privatization projects are provided in the Family Housing Post Acquisition section of this submission

DEPARTMENT OF THE AIR FORCE
MILITARY FAMILY HOUSING
FISCAL YEAR 2003 BUDGET REQUEST

RECONCILIATION OF INCREASES AND DECREASES

EXHIBIT OP-5

Housing Privatization: This program provides for all MFH O&M funded costs related to privatization. The Air Force pursues privatization ventures to transfer operation and maintenance responsibility to the private sector where cost effective. Accelerated revitalization of housing assets is the biggest benefit from privatization.

	(\$ in Thousands)
1. FY 2003 President's Budget:	\$20,482
2. Congressional Adjustments:	
a. Economic Assumption Adjustment	-\$5,000
b. General Reduction	-\$141
3. FY 2003 Appropriated Amount:	\$15,341
4. Supplementals:	None
5. Price Growth:	None
6. Functional Program Transfers:	None
7. Program Increases:	None
8. Program Decreases:	None
9. FY 2003 Current Estimate	\$15,341
10. Price Growth:	
a. Inflation	N/A
b. Foreign Currency Fluctuation Rate Adjustment	N/A
11. Functional Program Transfer:	None

DEPARTMENT OF THE AIR FORCE
MILITARY FAMILY HOUSING
FISCAL YEAR 2003 BUDGET REQUEST

12.	Program Increases:	
	a. Increased program requirements	+\$16,495
	a. FY04 President's Budget Review Housing acceleration to reach 2007 goal to repair inadequate MFH units.	+\$12,700
13.	Program Decreases:	None
14.	FY 2004 Budget Request:	\$44,536

DEPARTMENT OF THE AIR FORCE
MILITARY FAMILY HOUSING
FISCAL YEAR 2004 BUDGET REQUEST

Executive Summary:

The Air Force requests \$44,536K in the FY04 budget request for Housing Privatization. These funds are required for Air Force Center for Environmental Excellence (AFCEE), MAJCOMs and installations to execute 55 privatization initiatives identified in the Family Housing Master Plan or currently undergoing a privatization feasibility study. This includes 24 additional projects identified for FY04 since the FY03 budget request. The funds are programmed for (1) project concept development, (2) request for proposal development and project solicitation, (3) project construction oversight for local and federal code compliance, (4) on-going portfolio management, and (5) MAJCOM and base specific project management support.

Typically about \$3.5M is required during the life of the project to execute each privatization initiative. This includes \$1.3M in consultant fees and environmental studies required for initial concept development (\$225K), and RFP development, solicitation and award (\$1.1 M). The remaining \$2.2M per project is for construction oversight at the installation (\$900K), our yearly in-house manpower expenses at the Air Force Center for Environmental Excellence (AFCEE) (\$120K), the dedicated manpower expenses at the bases and the MAJCOMs (\$1.1 M), and portfolio management services (\$50K).

Requested Detail:

Concept Development: AFCEE uses five Privatization Support Contractors (PSCs), eight civilian, three military and two contract in-house program managers to team with MAJCOM and base personnel to “design” a privatization project concept that identifies and analyzes the project resources available or needed to produce an economically feasible project. Based on the current execution schedule, we have \$3.7M programmed in FY04 for FY05 and FY06 projects added for acceleration to meet the FY07 goal.

Solicitation: AFCEE, using PSCs and their in-house project team (engineers, lawyer, financial manager and acquisition personnel), works with the MAJCOMs and installations to develop and issue project solicitations. These developer responses are then evaluated through a two-step process. First, the number of submitting developers is narrowed based upon an evaluation of qualifications to no more than five. The remaining contractors then provide a detailed technical and financial proposal. These proposals are evaluated and a contract award is made. We have programmed \$15.2M in FY04 for projects that will be in the solicitation stage in this fiscal year.

Construction Inspection/Oversight: Once a deal is awarded, MAJCOMs and installations provide supervision and inspection oversight of the developer’s construction. The Air Force and

DEPARTMENT OF THE AIR FORCE
MILITARY FAMILY HOUSING
FISCAL YEAR 2004 BUDGET REQUEST

DoD have a vested interest in these privatization projects (loans, loan guarantees, land leases) and the oversight ensures the Air Force receives top-quality housing for military members that complies with state and local construction codes. AFCEE assists the MAJCOMs and each base to provide construction oversight as the contractor accomplishes housing construction or revitalization. We have programmed \$7.0M in FY04 for projects that will be in this stage during this fiscal year.

Portfolio Management: Long-term project oversight is key to ensuring the AF continues to receive quality housing from the privatization contractors. The AF has selected an industry leader in this field to assist AFCEE's four personnel and the installations by providing on-going program oversight for the length of the initiatives -- generally 50 years. In this capacity, the portfolio manager oversees the financial and managerial aspects of the deal to ensure loan payments are met, escrow and lockbox accounts are established and funded, and management is providing quality service to our members. This oversight will identify any projects that are in difficulty and implement corrective measures to preclude project failure. We have programmed \$6.0M in FY04 to accomplish this essential oversight.

Base/MAJCOM POCs: Executing a housing privatization initiative is manpower intensive yet MAJCOMs and bases have not been allocated additional manpower. To date, existing staffs have been overburdened because of the need to continue existing housing operations workload while providing support to the development of the privatization initiatives. A central point of contact is needed at each installation to coordinate all activities associated with the privatization effort from the beginning of concept development through construction and moving service members and their families into the units. Large projects or joint ventures with another military service will require an additional position to support the expected coordination and correlation workload. One base-level manpower position is programmed spanning the time from two years before project award until construction completion for each projects under 1,000 units and two for any project over 1,000 units or projects that involve more than one service. Also, one position has been programmed for each of the MAJCOMs until their projects are awarded. \$12.6M has been programmed in FY04 for 73 positions.

DEPARTMENT OF THE AIR FORCE
MILITARY FAMILY HOUSING
FISCAL YEAR 2004 BUDGET REQUEST

AIR FORCE FAMILY HOUSING PRIVATIZATION							
Year of otification	Installation	Total #of Units (End state totals)	Notify congress (Solicitation)	Notify congress (Selection)	Deal Closing/ Contract Award	Funding(000)	Authorities
FY98	Lackland AFB. TX	420	Sep96	May-98	Aug-96	\$21,300	1,6,8,9,10
	Robins AFB. GA	670	Oct-98	Jun-00	Sep-00	\$12,600	1,6,8,9,10
FY99	Dyess AFB. TX	402	Jun-99	Aug-00	Sep-00	\$19,900	1,8,9,10
	Elmendorf AFB. AK	626	Jan-W	Aug-00	Mar-01	\$23,500	1. 6. 9. 10
	Kirtland AFB. NM	1,076	Aug-00	Dec-03	(Mar-03)	\$24,300	1. 6. 9. 10
	Patrick AFB. FL	552	Mar-01	(Mar-03)	(May-03)	\$9,692	3. 6
	Dover AFB. DE	450	(Jul-03)	(May-04)	(Jun-04)	\$8,998	1,6,8,9,10
FY00	Wright Patterson AFB. OH	1,536	Feb-01	May-02	Aug-02	\$5,600	1,6,8,9,10
FY01	Moody AFB. GA	606	Jan-03	(Sep-03)	(Nov-03)	\$7,400	1.6.8,9,10
	Little Rock AFB. AR	1,535	Apr-02	(Feb03)	(Apr-03)	51,000	1,6,8,9,10
	Offutt AFB. NE	2,229	(May-03)	(Dec-03)	(Feb04)	513,982	1.6.6.9.10
	Hill AFB. UT	1,141	(Apr-03)	(Dec-03)	(Feb04)	\$10,271	1,6,8,9,10
FY02	Barksdale AFB, LA	432	(Mar-CM)	(Jan-05)	(Mar-05)	57,200	1,6,8,9,10
	Beale AFB. CA	1,444	(Mar-03)	(Sep-03)	(Nov-03)	\$14,500	1,6,8,9,10
	Buckley AFB. CO	332	(Feb03)	(Aug.03)	(Oct-03)	\$11,400	1,6,8,9,10
	Elmendorf AFB II, AK	624	(Aug-03)	(Feb04)	(Mar-04)	\$12,300	1.6.6.9.10
	Hickam AFB. HI	1,356	Feb02	(May-03)	(Jul.03)	515,420	1,6,8,9,10
	Lackland AFB II, TX	653	(May-03)	(Dec-03)	(Feb04)	\$20,733	1,6,8,9,10
	Langley AFB. VA	1,266	(Jun-03)	(Feb04)	(Apr-04)	\$16,700	1,6,8,9,10
	McGuire AFB/Ft Dix, NJ	1,639	(Feb-03)	(Aug-03)	(Oct.03)	\$27,127	1,6,8,9,10
	Nellis AFB, NV	1,313	(Aug-03)	(Jan-04)	(Mar-04)	\$1,466	1,6,8,9,10
	Hanscom AFB. MA	650	(Mar-03)	(Sep-03)	(Nov-03)	so	6. 9. 10
FY03	Maxwell AFB. AL	614	(Jul.03)	(Feb-04)	(Apr-04)	so	6. 9. 10
	Cannon AFB. NM	1,205	(Mar-03)	(Nov-03)	(Feb-04)	37,754	1,6,8,9,10
	F E Warren AFB. WY	457	(Aug.03)	(Mar-04)	(May-04)	55,391	1, 6. 9. 10'
FY04	Shaw AFB. SC	1,447	(Apr-03)	(Oct-03)	(Dec-03)	\$3,087	1. 6. 9. 10
	Altus AFB. OK	966	(May-03)	(Dee-03)	(Feb04)	53,093	1. 6. 9. 10
	Luke AFB. AZ	074	(Jun-04)	(Jan-05)	(Apr-05)	so	1,6,8,9,10
	Tinker AFB. OK	935	(Jun-04)	(Jan-05)	(Apr-05)	\$14,338	1,6,8,9,10*
	McChord AFB. WA	983	(Jun-04)	(Jan-05)	(Apr-05)	so	1,6,8,9,10*
	Sheppard AFB. TX	1,206	(Jun-04)	(Jan-05)	(Apr-05)	517,736	1.6.6.9.10
<p>AUTHORITIES</p> <ol style="list-style-type: none"> 1) 2073 "Direct Loans and Loan Guarantees 2) 2674 "Leasing of Housing to Be Constructed" 3) 2675 "Investments in Nongovernmental Entities" 4) 2676 "Rental Guarantees" 5) 2677 "Differential Lease Payments" 6) 2676 "Conveyance or Lease of Existing Property and Facilities" 7) 2679 "Interim Leases" 8) 2660 "Unit Size and Type" 9) 2661 "Ancillary Supporting Facilities" 10) 2662 "Assignment of Members of the Armed Forces to Housing Units 11) 2683 "Department of Defense Housing Funds" <p>*Authorities May be Subject to Change as Project is Defined</p>							

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DEBT PAYMENTS

DEPARTMENT OF THE AIR FORCE
MILITARY FAMILY HOUSING
FISCAL YEAR 2004 BUDGET REQUEST

DEBT PAYMENT

Program (in Thousands) .
FY 2004 Program \$37
FY 2003 Program \$36

Purpose and Scope

The Debt Payment program continues in name only. as the last of the **Caphart** and Wherry mortgages were liquidated in FY 1989. This program covers payment of Servicemen's Mortgage Insurance Premiums to the FHA for mortgages assumed by active military personnel prior to FY 1980.

Program Summary - Highlights

Request authorization for the appropriation of \$37,000 for FY 2004. No additional budget authority is required for mortgages as noted above.

Servicemen's Mortgage insurance Premiums

Servicemen's Mortgage Insurance Premiums, Section 124. Public Law 560, 83rd Congress, The Housing Act of 1954, aids in providing homes for members of the Armed Forces of the United States and their families with FHA mortgage insurance, especially designed to assist members in financing the construction or purchase of homes.

This program was discontinued through Public Law 93- 130 (Military Construction Appropriation Act, 1980) which allowed coverage only on existing mortgages covered prior to FY 1980. The amount needed to continue funding premiums on mortgages existing prior to FY 1980 continues to slowly decrease. adjusted for inflation. The program for FY 2004 is as follows:

<u>Fiscal Year</u>	<u>Number</u>	<u>Average Payment/Yr</u>	<u>Amount (\$000)</u>
2004	181	\$204	\$37
2003	181	\$199	\$36

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FOREIGN CURRENCY EXCHANGE DATA

**DEPARTMENT OF THE AIR FORCE
MILITARY FAMILY HOUSING
FISCAL YEAR 2004 BUDGET REQUEST**

**FOREIGN CURRENCY EXCHANGE DATA
FY 2004 Budget Estimate Submission
(\$ in Thousands)**

Country	Local Currency	FY :002		FY 2003		FY 2004	
		Approved Exchange Rates	\$ U.S. Requiring Conversion	Approved Exchange Rates	\$ U.S. Requiring Conversion	Approved Exchange Rates	\$ U.S. Requiring Conversion
Denmark	Krone	9.530	\$126	8.473	\$141	7.7996	\$15
European Comm	Euro	1.280	\$58,446	1.139	\$71,261	1.0314	\$79,874
Germany	D Mark						
Italy	Lira		\$44,392	124.330	\$45,290	125.49	\$67,261
Japan	Yen	133.400	\$49	9.031	\$55	7.6394	\$61
Norway	Krone	10.228					
Portugal	Escudo						
Singapore	Dollar	1.954	\$3,025	1.838	\$3,408	1.8037	\$3,441
South Korea	Won	1.443.810	\$2,599	1,265 000	\$2,447	1.225.000	\$2,881
Spain	Peseta						
Turkey	Lira	1,342,706.000	\$4,449	1.493.000 000	\$3,937	1,694,915.000	\$3,521
United Kingdom	Pound	0.764	\$28,583	0 709	\$32,493	0.6517	\$35,881
Total			\$141,669		\$169,033		\$193,087

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