

*Office of Budget  
Department of the Navy*

*Highlights of the  
Department of the Navy*

*FY 2006/FY 2007 Budget*



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## **SECTION I - INTRODUCTION**

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### **OVERVIEW**

The Navy and Marine Corps exist to control the seas, assure access globally, and project power beyond the sea, so that we can influence events and advance American interests across the full spectrum of military operations. Our forces are becoming increasingly agile and adaptable, even more rapidly deployable, and are replacing volume with precision to support required joint capabilities. The FY 2006/FY 2007 budget builds upon the foundation laid in the Quadrennial Defense Review and succeeding iterations of our strategic plan, and continues to respond to current National demands even as we aggressively transform to ensure a force relevant to the threats and opportunities of the 21<sup>st</sup> century. Our commitment is to win the fight today, while shaping 21<sup>st</sup> century manpower, improving business practices, and changing the way we fight tomorrow to preserve our military capabilities and advantages.



First, the budget supports the Navy and Marine Corps team at war. Winning the Global War on Terrorism (GWOT) is our number one priority. We continue to support GWOT through naval combat forces that are capable and relevant to the mission assigned. As a baseline, the budget supports the appropriate readiness posture to support the nation's warfighting needs. The Department has demonstrated a new construct for a ready and capable force through the Fleet Response Plan (FRP), providing six carrier strike groups (CSGs) within 30 days with the ability to surge an additional two CSGs within 90 days. The FRP, in concert with more flexible battle group configurations, will allow us to maintain this agile and responsive force in FY 2006. The Naval Services are



rotational and expeditionary by nature, but require additional funding above that in the baseline budget for long and extensive contingency operations, and to reconstitute battle-worn equipment. Our supplemental appropriation requests will support these marginal needs. In FY 2005, the Department is a critical component of a joint GWOT force, with

over 34,000 Marines and approximately 17,000 Navy personnel in theater, and in new and different mission areas. Our naval forces will continue to play a leading role in this historic struggle against threats to our national security by contributing precise, persistent, and timely striking power to the joint force, advancing defensive technologies for sustained employability and force protection, and increasing operational independence through seabasing.

People are the key ingredient to producing readiness and enhancing capabilities. We have thus far been very successful in winning the battle for people, and our budget must preserve our commitment to the workforce. However, that workforce is not static. The Marine Corps has shown high adaptability in meeting new and intense manpower demands through better utilization of both active and reserve forces, military/civilian conversion, and flexible strength levels. Navy personnel levels can and will decline as we transform our force and enhance future capabilities, but the shape of the manpower force must also be transformed, guided by a human capital strategy that delivers the right skills, at the right time, for the right work. We continue to strive to achieve a higher quality of service for our Sailors, Marines, and civilians. Training our Sailors and Marines is critical to implementing transformation initiatives and to ensure optimum results. The Department is transforming the naval personnel force by creating modern human resource systems to achieve the objectives of *Sea Power 21* and *Marine Corps Strategy 21*, and the National Security Personnel System.



The Department is transforming our business processes, consistent with the President's Management Agenda objective of improving financial management in the government. A mid/long-term effort involves investing in a significantly improved and integrated automated environment. This environment will be compliant with the broad DoD Business Enterprise Architecture/Modernization program using the Converged Navy Enterprise Resource Planning System (ERP) as the cornerstone. The ERP deployments will reshape and standardize business processes, producing more reliable financial information for decision-making. Ultimately, a clean audit opinion from an external source will validate the success of our desired outcomes. In the short/near term, both Navy and Marine Corps are pursuing a variety of initiatives to enhance the effectiveness of current business processes. Such as the DON Financial Improvement Plan



which is leveraging the best commercial practices embedded in the software and documenting all business processes. The Navy Marine Corps Intranet will be fully fielded this year, and we expect increased efficiency and effectiveness by reducing legacy networks, and through application rationalization and reduction. Our budget also maintains a robust focus on infrastructure management and improvement. A consolidated Navy installation management command will continue to provide the best return on constrained shore support resources, and our people are engaged in activities to appropriately support the base realignment and closure process approved by the Congress.

Lastly, we must change the way we fight to preserve our Nation's military strength. Central to this change is the new generation of warfighting platforms.



The FY 2006 budget represents the transformational fulcrum between legacy platform procurement and the future force. It is the first fiscal year that all new construction ships are of a post-Cold War design. The Department is focused now on the next generation of battle force ships, including DD(X), the Littoral Combat Ship (LCS), VIRGINIA

Class SSN, CVN-21, MPF(F), LPD-17, and LHA(R). For FY 2006, our shipbuilding programs are limited by their place in the development and construction cycle. The Department is also replacing costly aviation systems with more efficient and capable integrated systems, including F/A-18E/F, EA-18G, MV-22, JSF, MMA, and BAMS UAV. While the long-term pace of transformational programs has slowed in this budget, desired future capabilities have been preserved across the warfighting spectrum.

## ***NAVAL POWER 21 - A NAVAL VISION***

The Department of the Navy team is the United States Navy and the United States Marine Corps. Each has distinct and complementary missions that are integrated not only with each other, but also with the other Services, other federal and state agencies, and coalition forces. As part of a joint warfighting team, the Navy and Marine Corps will control the seas and project power, defense, and influence beyond the sea. Our forces will use the sovereignty of the sea and enhanced, networked seabasing to operate without restriction. Our forward expeditionary nature will provide persistent warfighting capabilities and sustained American influence wherever we may be called to deploy. We will assure our friends and allies, and together with the



U.S. Army, U.S. Air Force, and U.S. Coast Guard, we will dissuade, deter, and defeat our nation's enemies. Our Sailors, Marines, and civilians will leverage innovative organizations, concepts, technologies, and business practices to achieve order of magnitude increases in warfighting effectiveness. Sea-Air-Land and Space will be our domain.

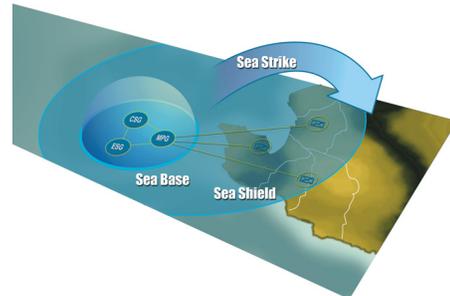


Above all, the Navy and Marine Corps defend our homeland, both through our actions overseas and by our efforts at home. Our vision to achieve this is based on three fundamental pillars:

- I. *We assure access.* Assuring seabased access worldwide for military operations, diplomatic interaction, and humanitarian relief efforts. Our nation counts on us to do this.
- II. *We fight and win.* Projecting power to influence events at sea and ashore both at home and overseas. We project both offensive power and defensive capability. It defines who we are.
- III. *We are continually transforming to improve.* Transforming concepts, organizations, doctrine, technology, networks, sensors, platforms, weapon systems, training, education, and our approach to people. The ability to continuously transform is at the heart of America's competitive advantage and a foundation of our strength.

This vision, supported by the capabilities generated by the Navy's *Sea Power 21* and *Marine Corps Strategy 21*, serves as the way ahead for Navy and Marine Corps operations and programs. These documents define our advance into the future as part of a joint force, and focus efforts and resources within each Service.

Seabasing is the overarching framework within which the Navy and Marine Corps will transform our core capabilities to increase the effect of naval forces in joint campaigns. As enemy access to weapons of mass destruction grows, and access to overseas bases declines, it is compelling both militarily and politically to reduce the vulnerability of US forces through expanded use of secure, agile, networked sea bases.



Seabasing capabilities will provide joint force commanders with global command and control and extend integrated logistical support to the other Services' forces. Afloat positioning of these capabilities strengthens force protection and frees airlift and sealift assets to support missions ashore. Seabasing also serves as the foundation from which both offensive and defensive fires are projected.

Seabasing effectively integrates the transformational thrust of *Marine Corps Strategy 21* and *Sea Power 21*.

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## SEA POWER 21

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*Sea Power 21* is the Navy's vision to align, organize, integrate, and transform to meet the challenges that lie ahead. It requires us to continually and aggressively reach. It is global in scope, fully joint in execution, and dedicated to transformation. It reinforces and expands concepts being pursued by the other Services - long-range strike; global intelligence, surveillance, and reconnaissance; expeditionary maneuver warfare; and light, agile ground forces - to generate maximum combat power from the joint team.

*Sea Power 21* establishes fundamental capability areas together with superior information technology to guide the Navy's transformation efforts with the Marine Corps and joint partnerships. These areas include:

- *Sea Strike* - broadened concept for naval power projection that leverages enhanced command, control, and intelligence; precision; stealth; and endurance.
  - *Sea Shield* - develops naval capabilities in the areas of homeland defense, sea control, assured access, and projection of defense overland.
  - *Sea Base* - projects US sovereignty from the sea and provides joint force commanders with command-and-control, fires, and logistical support from secure sea bases - effectively making Sea Strike and Sea Shield a reality.
  - *ForceNet* - the "glue" that binds together Sea Strike, Sea Shield and Sea Base. It integrates warriors, platforms, sensors, weapons and logistics into a networked and distributed combat force.
- Sea Shield**  
➤ Project Global Defensive Assurance

**Sea Base**  
➤ Project Joint Operational Independence

**Sea Strike**  
➤ Project Precise and Persistent Offensive Power

The powerful warfighting capabilities of *Sea Power 21* will ensure that our joint force dominates the unified battlespace of the 21<sup>st</sup> century, strengthening America's ability to assure friends, deter adversaries, and triumph over enemies - anywhere, anytime.

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## MARINE CORPS STRATEGY 21

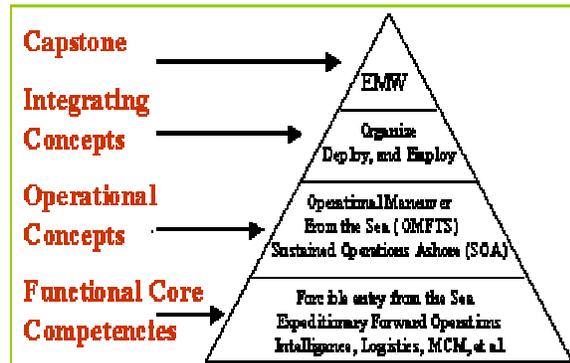
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*Marine Corps Strategy 21* provides the vision, goals, and aims to support the development of future combat capabilities. The strategy encapsulates the Corps' capstone concept, Expeditionary Maneuver Warfare; fundamental core competencies such as warfighting culture, expeditionary forward operations and combined arms integration; and operational concepts such as Operational

Maneuver from the Sea and Ship-to-Objective Maneuver, thus combining the Marine Corps' maneuver warfare philosophy with its expeditionary culture and heritage. Fundamental to *Marine Corps Strategy 21* vision is:

- Make America's Marines able to win the Nation's battles and create quality citizens.
- Optimize the Corps' operating forces, support and sustainment base, and unique capabilities.
- Sustain an enduring relationship with the U.S. Navy.
- Reinforce our strategic partnerships with our sister Services.
- Contribute to the development of joint, allied, coalition, and interagency capabilities.
- Capitalize on innovation, experimentation, and technology.

As the premier expeditionary "Total Force in Readiness," the strategy defines a Marine Corps tailored to answer the Nation's call, at home or abroad. It is designed to enhance its strategic agility, operational reach, and tactical flexibility to enable joint allied and coalition operations and interagency coordination. These capabilities provide the President, the Secretary of Defense, and the combatant commanders with scalable, interoperable, combined-arms Marine Air-Ground Task Forces (MAGTFs) to shape the international environment, respond quickly to the complex spectrum of crises and conflicts, and gain access or prosecute forcible entry operations.



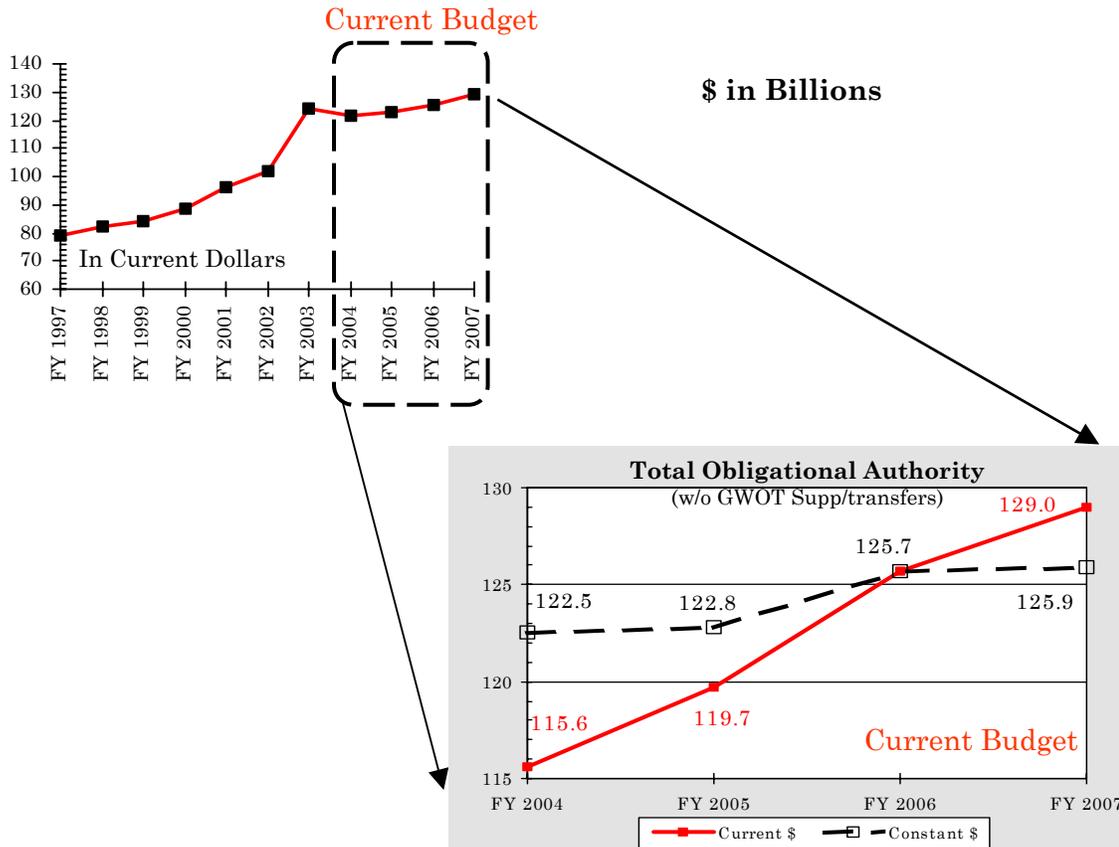
*Marine Corps Strategy 21* fosters an organization that is proactive and adaptable to take advantage of opportunities, overcome challenges, and prudently employ men, women and resources entrusted to us. Ideally suited for joint allied and coalition warfare, the Marine Corps operates as a joint force enabler in three dimensions - air, land, and sea. With experience in coordinating the multidimensional elements of MAGTFs and close relationship with the Navy, Marines instinctively understand the need for, and the logic and synergy behind, joint and multinational operations such as those operations undertaken by coalition forces in Operation Iraqi Freedom.

*Marine Corps Strategy 21* is the Corps' axis of advance into the 21st century and focuses efforts and resources toward a common objective. It is by design a broad axis that will adapt to changes in the strategic environment. This strategy enables the Marine Corps to build upon its foundations of heritage, innovation, and excellence to move beyond the objective and succeed on tomorrow's battlefields.

## RESOURCE TRENDS

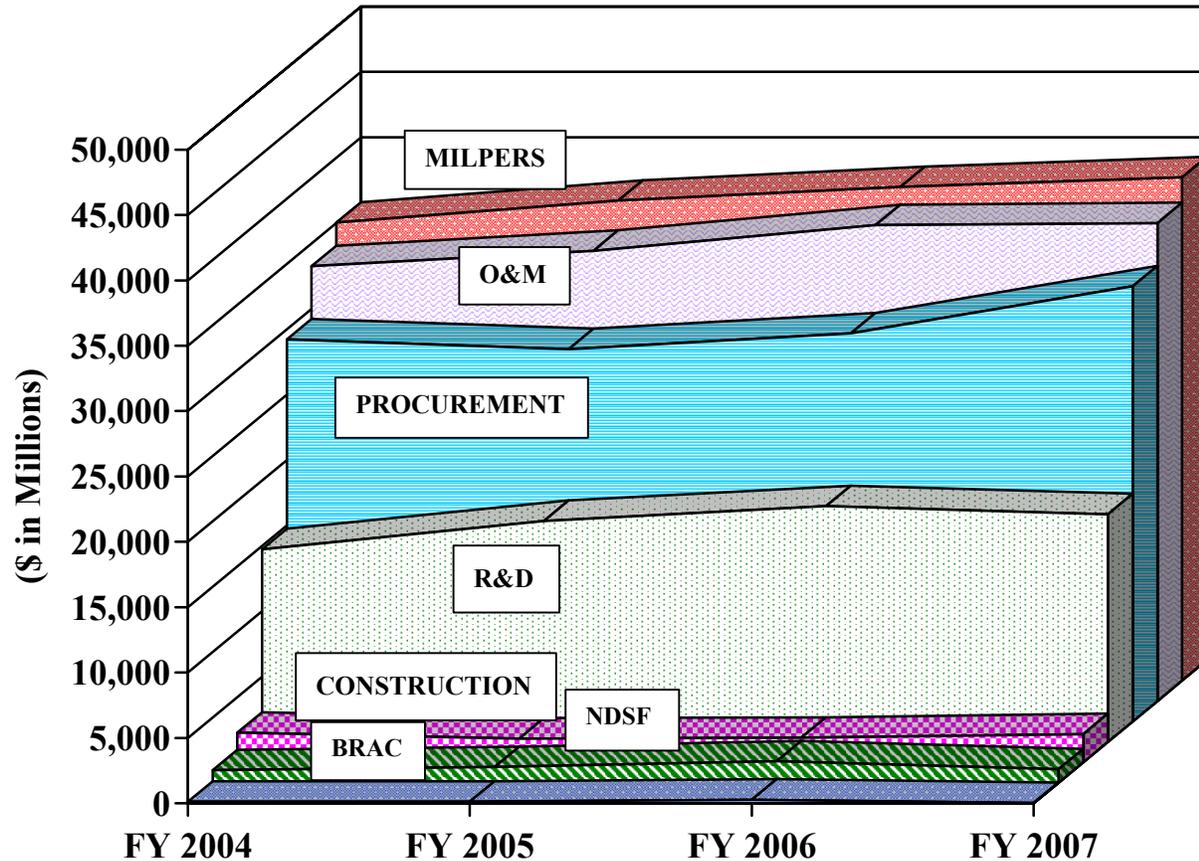
The FY 2006/FY 2007 budget reflects a balance between keeping today's force ready and transforming for the future.

**Chart 1 - Department of the Navy Topline FY 1997 - FY 2007**



Note: The magnified portion of Chart 1 reflects the current budget adjusted to facilitate year-to-year comparison. First, the current dollars for FY 2004 and FY 2005 have been reduced to exclude supplementals and transfers. Second, the resulting profile is expressed in constant dollars to eliminate the effect of inflation and other price changes between the years.

The current budget increases by only 2.5 percent in FY 2006 over FY 2005 levels and by 2.6 percent in FY 2007 over FY 2006 levels. The overall net increase to the topline is \$3.1 billion in FY 2006 and \$3.3 billion in FY 2007, balanced among our military personnel, operating, and investment accounts. However, after discounting for supplemental contingency and emergency appropriations in FY 2005, the increase in FY 2006 is \$6.0 billion. In constant dollars, adjusted for inflation, the baseline budget continues to reflect real growth in each fiscal year. The budget supports appropriate readiness levels, an aggressive manpower strategy, preserves aircraft procurement, a transformational ship strategy, and continues to capture business and enterprise efficiency savings/cost avoidance.

**Chart 2 - Trendlines FY 2004 - FY 2007**

Note: Excludes supplemental appropriations/transfers for the Global War on Terrorism.

As shown in Chart 2, every appropriation category increases in FY 2006 over FY 2005 appropriations. Military personnel accounts are increasing due to pricing adjustments for pay raises, health costs, and accrual rates for retired pay. This pricing increase partially masks reduced strength levels as we achieve increased efficiencies ashore and a reduction in legacy force structure. Operating accounts maintain sufficient readiness levels for a surge capable Navy. Procurement account increases are due to a CVN Refueling Overhaul and an increase of 23 aircraft in FY 2006 over the FY 2005 level. The R&D account increase in FY 2006 emphasizes transformational platforms such as the JSF, V-22, VXX, and Multi-mission Maritime Aircraft.

Table 1 displays individual Department of the Navy appropriation estimates for FY 2004 through FY 2007.

## APPROPRIATION SUMMARY FY 2004 - FY 2007

**Table 1**

**Department of the Navy**

**Appropriation Summary FY 2004 - FY 2007**

(In Millions of Dollars)

	FY 2004 <sup>1</sup>	FY 2005 <sup>2</sup>	FY 2006	FY 2007
Military Personnel, Navy	24,216	24,404	23,032	23,267
Military Personnel, Marine Corps	9,956	9,838	9,025	9,321
Reserve Personnel, Navy	2,003	2,101	1,774	1,788
Reserve Personnel, Marine Corps	559	637	521	575
Health Accrual, Navy <sup>3</sup>	-	-	2,006	2,073
Health Accrual, Marine Corps <sup>3</sup>	-	-	982	1,043
Health Accrual, Navy Reserve <sup>3</sup>	-	-	292	287
Health Accrual, Marine Corps Reserve <sup>3</sup>	-	-	137	145
Operation & Maintenance, Navy	30,288	29,948	30,760	30,661
Operation & Maintenance, Marine Corps	4,969	5,227	3,805	4,023
Operation & Maintenance, Navy Reserve	1,174	1,236	1,246	1,269
Operation & Maintenance, Marine Corps Reserve	189	187	200	215
Environmental Restoration, Navy	-	266	305	309
Kaho'olawe Island	20	-	-	-
Aircraft Procurement, Navy	9,075	8,836	10,517	10,874
Weapons Procurement, Navy	2,054	2,107	2,708	2,647
Shipbuilding & Conversion, Navy	11,373	10,387	8,721	11,955
Other Procurement, Navy	4,905	4,846	5,488	5,362
Procurement, Marine Corps	1,542	1,434	1,378	1,619
Procurement of Ammunition, Navy & Marine Corps	945	885	873	840
Research, Development, Test & Evaluation, Navy	14,773	16,907	18,038	17,419
National Defense Sealift Fund	996	1,205	1,649	1,044
Military Construction, Navy	1,268	1,209	1,029	1,356
Military Construction, Naval Reserve	45	44	45	56
Family Housing Construction, Navy & Marine Corps	178	10	219	269
Family Housing Operations, Navy & Marine Corps	836	705	594	482
Navy Working Capital Fund	130	65	83	84
Base Realignment and Closure IV	110	115	276	-
Base Realignment and Closure V	-	-	-	30
<b>TOTAL</b>	<b>\$121,608</b>	<b>\$122,598</b>	<b>\$125,702</b>	<b>\$129,012</b>

Note: Totals may not add due to rounding.

- 1) FY 2004 includes \$6.0B in supplemental appropriations/transfers for GWOT
- 2) FY 2005 includes \$2.5B in supplemental appropriations/transfers for GWOT
- 3) Beginning in FY 2006, the health accrual amounts have been realigned from the MPN, MPMC, RPN, and RPMC appropriations into separate Health Accrual appropriations.

## DERIVATION OF FY 2005 ESTIMATES

Table 2 displays a track of changes to the Department of the Navy appropriations for FY 2005, beginning with the FY 2005 President's Budget request. The changes are due to incorporation of congressional action; initial (bridge) supplemental appropriations for contingency operations, hurricane damage, and tsunami relief; and transfers that reflect known reprogramming requirements (including authorization entitlements not funded in initial appropriations; transfer of \$80 million for Peacekeeping Operations authorized by section 117 of the Miscellaneous Appropriations and Offsets Act, 2005; and family housing public private venture projects), based on fact of life program changes. Amounts displayed here do not include all GWOT and humanitarian assistance costs, which are being addressed in additional supplemental appropriation requests. Available prior year balances reflect multiyear operating account authority, which remains available in FY 2005.

**Table 2**  
**Department of the Navy**  
**Derivation of FY 2005 Estimates**  
*(In Millions of Dollars)*

	FY 2005 President's Budget	Congressional Action	Supplemental Appropriations	Transfers	Available Prior Year Balances	FY 2005 Current Estimate
Military Personnel, Navy	24,460	-112	28	28	-	24,404
Military Personnel, Marine Corps	9,596	-15	242	15	-	9,838
Reserve Personnel, Navy	2,172	-88	-	17	-	2,101
Reserve Personnel, Marine Corps	655	-32	-	14	-	637
Operation & Maintenance, Navy	29,789	-588	825	-90	12	29,948
Operation & Maintenance, Marine Corps	3,632	-32	1,659	-33	1	5,227
Operation & Maintenance, Navy Reserve	1,240	-5	1	-	-	1,236
Operation & Maintenance, MC Reserve	189	-2	-	-	-	187
Environmental Restoration, Navy	267	-1	-	-	-	266
Aircraft Procurement, Navy	8,768	110	-	-42	-	8,836
Weapons Procurement, Navy	2,102	5	-	-	-	2,107
Shipbuilding & Conversion, Navy	9,962	425	-	-	-	10,387
Other Procurement, Navy	4,834	12	-	-	-	4,846
Procurement, Marine Corps	1,190	237	7	-	-	1,434
Procurement of Ammunition, Navy/MC	859	26	-	-	-	885
Research, Development, Test & Eval, Navy	16,346	531	-	30	-	16,907
National Defense Sealift Fund	1,269	-64	-	-	-	1,205
Military Construction, Navy	1,060	10	139	-	-	1,209
Military Construction, Naval Reserve	25	19	-	-	-	44
Family Housing, Navy	844	-8	9	-130	-	715
Navy Working Capital Fund	65	-	-	-	-	65
Base Realignment and Closure IV	115	-	-	-	-	115
<b>TOTAL</b>	<b>\$119,439</b>	<b>\$429</b>	<b>\$2,910</b>	<b>-\$191</b>	<b>\$13</b>	<b>\$122,598</b>

Note: Totals may not add due to rounding.

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## ***PERFORMANCE MEASUREMENT***

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The Department of the Navy, with one of the largest workforces in our nation, is also one of the most visible to the public. With military members and employees in multiple countries, at sea and ashore, in every time zone, and in every climactic region, the spotlight never leaves our emblem. Our charter to defend our nation and its interests at home and abroad makes it essential that every military member and employee take an active role in using resources wisely and ensuring success in each endeavor.

The President has stated that this Administration is “dedicated to ensuring that the resources entrusted to the federal government are well managed and wisely used.” To achieve this, the President’s Management Agenda focuses on five basic objectives: (1) Budget and Performance Integration, (2) Strategic Management of Human Capital, (3) Competitive Sourcing, (4) Financial Management Improvement, and (5) Expanding E-Government. Improving programs by focusing on results is an integral component of the Department’s budget and performance integration initiative. The most recent Executive



Scorecard grades the Department of Defense as “yellow” on current status for budget and performance integration and “green” for progress. The FY 2006/FY 2007 budget for the Department of the Navy associates performance metrics for approximately eighty percent of requested resources. In an effort to incorporate performance metrics into the budget process, the

Office of Management and Budget has instituted Program Performance Assessments which identify programs that will be measured in “getting to green” through a rating system that is consistent, objective, credible, and transparent. The initial Department of the Navy programs reviewed since FY 2004 are outlined in Chart 3. Programs were assessed and evaluated across a wide range of issues related to performance. Amplifying metric information related to these programs can be found in detailed justification materials supporting the budget request.

### Chart 3 - Performance Scorecard

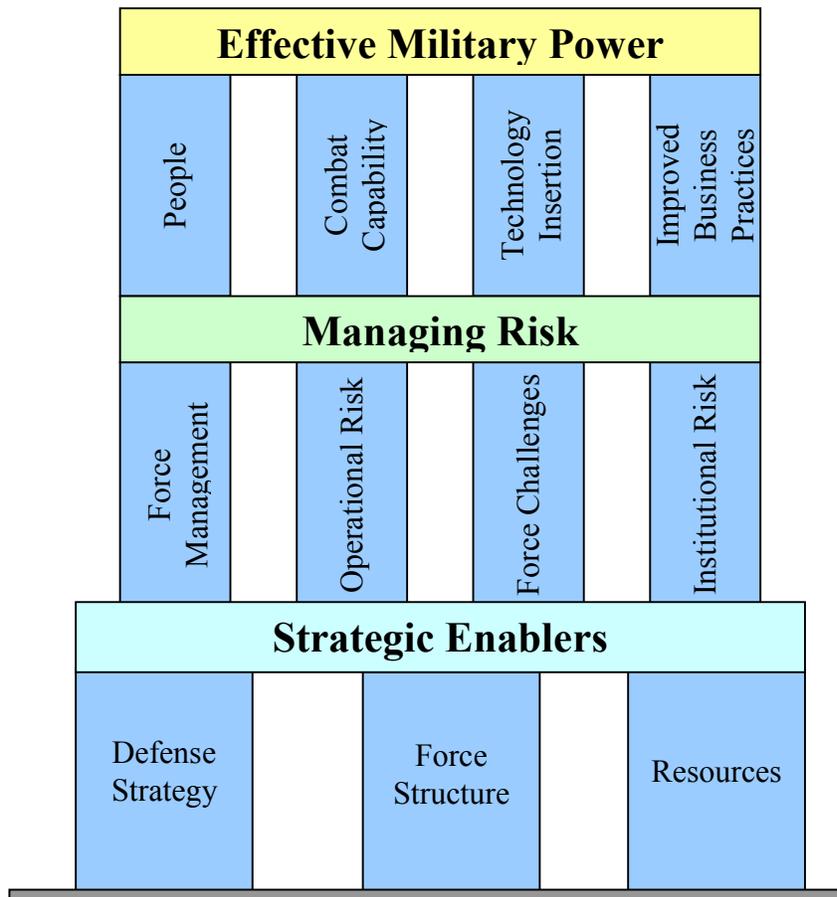
<b>I. Budget and Performance Integration</b>											
	Program Purpose & Design	Strategic Planning	Program Mgmt	Program Results	Weighted Score	Overall Rating	DON Funding				Programs Included
							FY04	FY05	FY06	FY07	
<b>Air Combat</b>	100%	100%	72%	67%	88%	Moderately Effective	5,437	5,521	5,600	4,935	F/A-18 E/F, JSF
<b>Shipbuilding</b>	80%	90%	73%	47%	64%	Adequate	12,000	11,387	9,412	12,554	New construction
<b>Basic Research</b>	100%	89%	84%	80%	86%	Effective	468	491	448	456	G.1
<b>Housing</b>	100%	100%	71%	67%	78%	Moderately Effective	5,580	5,197	5,538	5,740	FH, BAH
<b>Communications Infrastructure</b>	80%	78%	40%	44%	54%	Results Not Demonstrated	1,538	1,766	1,828	1,842	NMCI, Base level comm
<b>Recruiting</b>	80%	100%	71%	75%	78%	Moderately Effective	789	733	832	827	O&M
<b>Facilities SRMDemolition</b>	80%	100%	14%	60%	59%	Adequate	1,649	2,261	1,972	1,943	O&M
<b>Military Force Management</b>	100%	100%	71%	93%	91%	Effective	36,734	36,980	37,769	38,499	MIPers
<b>Small Business</b>	60%	0%	43%	6%	27%	Results Not Demonstrated	262	-	-	-	MIPers
<b>Total Funding</b>							<b>64,458</b>	<b>64,396</b>	<b>63,399</b>	<b>66,856</b>	

- 2. Strategic Management of Human Capital**
  - Implement National Security Personnel System (NSPS) (DoD-wide)
  - Transform Naval Military Personnel Force
  - Military/Civilian Conversions
  - Human Capital Strategy
- 3. Competitive Sourcing**
  - Commitment to study 63,420 positions under A-76 or OMB approved alternatives
- 4. Improved Financial Performance**
  - Business Management Modernization Program (DoD-wide)
  - Enterprise Resource Planning
  - Financial Improvement Plan
- 5. Expanded Electronic Government**
  - Utilizing E-marketplace
  - Enterprise Software

The September 2001 Quadrennial Defense Review (QDR) established a risk framework that will ensure the Nation's military is properly prepared to carry out the strategy. Within the framework there are four tenets of risk management: force management, operational risk, future challenges, and institutional risk. Measuring this risk in terms of meaningful metrics and then

managing risk is the stated challenge. The Government Performance and Results Act (GPRA) (P.L. 103-62) of 1993 requires federal agencies to submit a comprehensive plan that identifies major goals and objectives. The assessment tools within GPRA will be one of the prime enablers for risk management associated with the tradeoffs in balancing defense strategy, force structure, and resources. Once these risk tenets have been fully assessed, taking action to mitigate potential vulnerabilities will further shape the application of our resources to force structure ensuring that our strategy is viable.

We are in a crucial time of transition for this Department with a strategy that will ensure America’s freedoms through our safety at home and abroad. As we tackle the challenge of the Global War on Terrorism, we must embrace the transformation of our National defense. Transformation is not a goal for the future, rather, a commitment here and now. The performance measures represent the strategic direction of the Department, and were designed to ensure that we are sized, shaped, postured, committed, and managed to achieve key goals. These goals include maintaining a ready and sustainable force to meet today’s challenge, investing in tomorrow’s capabilities, and establishing processes and organizations that make effective and efficient use of our scarce resources. Detailed metrics and goals are included throughout this publication, and a summary by each of the four QDR goals is included in Section IV.



## BALANCED SCORECARD

The FY 2006/FY 2007 budget supports the Department of the Navy's commitment in the areas of combat capability, people, technology insertion, and improved business practices. These focus areas are aligned with the Department of Defense's risk management framework. Regarding combat capability, the primary purpose of the Navy and Marine Corps is to defend our homeland, both through our actions overseas and by our efforts at home. The men and women of the Navy and Marine Corps team are our most valued resource. We continue to strive to achieve a higher quality workplace and higher quality of life for our Sailors, Marines, and civilians. Technology insertion is central to the continuation of our Nation's military strength. As demonstrated in the Global War on Terrorism, we have the most technologically advanced naval force, and we must continue to sustain a robust transformation and recapitalization effort to ensure technology proliferation does not diminish future capability. The Department is continuously working to revitalize business practices and achieve business transformation while maintaining balanced risk in the face of global challenges and constrained budget conditions.

<p style="text-align: center;"><b>Combat Capability</b></p> <ul style="list-style-type: none"> <li>◆ Execute Global War on Terrorism           <ul style="list-style-type: none"> <li>➢ FY05 supplemental requirement for full year deployment, force rotation and sustainment costs for approximately 17,000 Navy/34,000 Marine Corps personnel (~\$13B)</li> <li>➢ Supplemental expected to support GWOT in FY06 also</li> </ul> </li> <li>◆ Execute Fleet Response Plan           <ul style="list-style-type: none"> <li>➢ Reduce I carrier (12 to 11) while continuing to provide a capable force to meet warfighting needs</li> <li>➢ Surge capability of "6+2" maintained near-term</li> </ul> </li> </ul>	<p style="text-align: center;"><b>People</b></p> <ul style="list-style-type: none"> <li>◆ Shape the 21<sup>st</sup> century workforce           <ul style="list-style-type: none"> <li>➢ Establishing National Security Personnel System</li> <li>➢ Pursuing force shaping authorities for military members               <ul style="list-style-type: none"> <li>➢ Sustained pay enhancements with 3.1% pay raise</li> </ul> </li> </ul> </li> <li>◆ Streamline &amp; align manpower           <ul style="list-style-type: none"> <li>➢ Aggressive military to civilian conversion program (6,489 cumulative positions, 960 new in FY06)</li> <li>➢ Reduce strength where possible (13,200 fewer than FY05)</li> </ul> </li> </ul>
<p style="text-align: center;"><b>Technology Insertion</b></p> <ul style="list-style-type: none"> <li>◆ Maintain joint forward seabasing initiatives           <ul style="list-style-type: none"> <li>➢ Slowed pace of transformational programs; however, preserved desired future capability</li> <li>➢ Shift to next generation battle force ships               <ul style="list-style-type: none"> <li>➢ LHA(R), LPD17, MPF(F), DD(X), CVN-21, LCS, VA Class</li> </ul> </li> <li>➢ Replace costly aviation legacy platforms with more efficient and capable integrated systems               <ul style="list-style-type: none"> <li>➢ F/A-18E/F, JSF, MV-22, EA-18G, MMA, BAMS UAV</li> </ul> </li> </ul> </li> <li>◆ Sustain robust and balanced R&amp;D effort           <ul style="list-style-type: none"> <li>➢ New design for future undersea superiority system</li> <li>➢ Joint interoperable, networked systems</li> </ul> </li> </ul>	<p style="text-align: center;"><b>Improved Business Practices</b></p> <ul style="list-style-type: none"> <li>◆ Improve productivity           <ul style="list-style-type: none"> <li>➢ Aligned with key business transformation initiatives               <ul style="list-style-type: none"> <li>➢ Adopting proven best commercial business practices through Enterprise Resource Planning</li> <li>➢ Information Technology Portfolio Management</li> </ul> </li> </ul> </li> <li>◆ Achieve efficiency in shore infrastructure           <ul style="list-style-type: none"> <li>➢ Large reductions to infrastructure accounts               <ul style="list-style-type: none"> <li>➢ Continue to strive for 67-year recap rate</li> </ul> </li> <li>➢ Increasing housing public private ventures (15,940 homes in FY06)</li> <li>➢ Execute BRAC 2005 process</li> </ul> </li> </ul>

## SECTION II - WINNING TODAY

The Navy and Marine Corps team continues to answer our Nation's call in the Global War on Terrorism (GWOT) and in the establishment of stability and security in the world's trouble spots. From combat operations in Iraq to tsunami relief efforts in Indonesia, the Navy and Marine Corps team has proven ready to meet any task and answer any challenge.

### CONTINGENCY OPERATIONS

FY 2005 contingency operations include Operation Noble Eagle (Homeland Defense), Operation Enduring Freedom (Afghanistan, the horn of Africa, and related areas), and Operation Iraqi Freedom.

In order to ensure adequate resources are available for GWOT operations early in the fiscal year, the Congress appropriated \$25 billion until a full year supplemental is approved. Other funds necessary to support GWOT operations during FY 2005 will be included in an additional supplemental appropriation request. The following table represents funds already appropriated specifically for this purpose.



**Chart 4 - FY 2005 Bridge Supplemental**

Department of the Navy Portion of War Related Appropriations			
\$ (M)	Navy	Marine Corps	TOTAL
Military Personnel	28	242	269
Operation and Maintenance	367	1,658	2,025
Aircraft Procurement	79	-	79
Procurement of Ammunition	20	10	30
Procurement, Marine Corps	-	157	157
<b>Total</b>	<b>\$494</b>	<b>\$2,067</b>	<b>\$2,560</b>

These funds have been applied to incremental costs associated with activation of Reserve personnel and units, increased fuel consumption and spare parts, additional maintenance supporting higher usage of equipment, deployment of medical capabilities (hospital ships and deployable fleet hospitals), extended communications and intelligence support, and related transportation costs. Additionally, investment items lost, damaged or in need of replacement resulting from increased "wear and tear" from the higher operating tempos are also

included. All these contingency or wartime costs are requested through supplemental appropriations or transfers.

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## ***GLOBAL WAR ON TERRORISM***

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Winning the Global War on Terrorism is our number one priority. We continue to support the GWOT through naval combat forces that are capable and relevant to the missions assigned. The Department has deployed various forces into the Central Command (CENTCOM) area of responsibility (AOR) to support in-theater deployment of Marine Corps combat units (and attached Navy medical personnel and construction battalion) and provide other sustainment support (such as port and cargo handling and supply support, medical support, mail and transportation, explosive ordnance).



Currently, over 34,000 Marines and approximately 17,000 Navy personnel are engaged in CENTCOM AOR supporting GWOT operations. The Marine Corps has taken part in combat operations and are now directly responsible for stability and security in Al Anbar Province, An Najaf, and Karbala. Their



expeditious and innovative pre-deployment combat skills training program, rapid modifications of combat equipment to meet an evolving threat, and their emphasis on cultural and language capabilities have contributed to considerable accomplishments in this complex region. Marines are currently executing multiple security, urban combat, nation building, counter-insurgency, command and control, and force protection missions with great confidence and skill, in the face of an adaptable and dangerous enemy. Hundreds of naval medical personnel were deployed to Iraq in support of Marine forces, as well as over 1,000 active and reserve Navy Seabees responsible for construction support.

A carrier strike group and an expeditionary strike group have continuously been on station in the CENTCOM AOR, providing direct operational and combat support. For example, carrier based aircraft flew over 21,000 hours, dropped over 54,000 pounds of ordnance, and played a vital role in the fight for Fallujah. Naval coastal warfare and explosive ordnance detection forces provided security for Iraqi oil terminals and thwarted terrorist forces from disrupting the off-shore energy supply. The Navy has mobilized and provided additional forces to

augment Army operations, including medical support; Naval Expeditionary Logistic Support Forces, which have provided port handling and supply support; military police and other security forces.

In Afghanistan the Marine Corps provided, on short-notice, a regimental headquarters, an infantry battalion, and a combined arms Marine Expeditionary Unit. This Marine force was a major portion of the combined joint task force "Spring Offensive" to help set the conditions for the successful election that has advanced the process of establishing a secure and stable government in Afghanistan. They continue to provide both ground and aviation forces - currently an infantry battalion, elements of two helicopter squadrons, and training teams - to protect and foster this new democracy.



Because more than 95 percent of the world's commerce moves by sea, it is likely that terrorist networks utilize merchant shipping to move cargo and passengers. The United States naval forces are well trained to carry out the mission of deterring, delaying, and disrupting the movement of terrorists and terrorist-related material at sea.

During the year, the Navy and Marine Corps will conduct a major rotation of our CENTCOM deployed forces. Many of these units have previously deployed to this theater, but we continue to aggressively match our training, forces, and equipment to the changing threat.

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## ***HUMANITARIAN RELIEF EFFORTS***

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The Navy and Marine Corps team can rapidly respond to crises around the globe, whether they are humanitarian or combat-related without impeding our ongoing commitments to combating terrorism. For example, the Navy and Marine Corps provided support to evacuations of non-combatants from Liberia and an unexpected peacekeeping mission in Haiti. We continuously train for humanitarian assistance missions in order to respond rapidly and efficiently to large-scale disasters.

Today, the Navy and Marine Corps has led the way in providing assistance to the governments of Indonesia, Sri Lanka, Thailand and other affected nations as they deal with the effects of the earthquake and tsunami. Under the direction of the U.S. Pacific Command and the Combined Support Force, the Department of the Navy has had more than 8,500 Sailors and Marines afloat and 2,100 Marines

ashore providing humanitarian assistance to millions of people affected by the disaster that swept Southeast Asia on December 26<sup>th</sup>.

The forward posture and readiness for agile response that characterizes our Navy/Marine Corps team positions us to play an integral role in the Department of Defense's humanitarian efforts, alongside other federal and international agencies in support of nations affected by disaster. In Southeast Asia, our primary concern is to rapidly reduce the further loss of life and human suffering. We are doing this with the following assets:

- **USS Abraham Lincoln Carrier Strike Group (CSG)**, including USS Shoup, USS Shiloh, USS Benfold, and USS Rainier arrived on January 1<sup>st</sup> near the coast of Sumatra, Indonesia.
- **USS Bonhomme Richard Expeditionary Strike Group**, including Marines from the 15<sup>th</sup> Marine Expeditionary Unit, USS Rushmore, USS Duluth arrived on January 3<sup>rd</sup> near the coast of Sumatra, Indonesia.
- **22 helicopters** and **five Amphibious Landing Craft, Air Cushioned** from USS Bonhomme Richard and **17 helicopters** from USS Abraham Lincoln CSG have delivered over 6 million pounds of relief supplies and equipment to date.
- **Nine P-3C Orion** reconnaissance and surveillance aircraft from Patrol Squadron EIGHT (VP-8) and elements of VP-4 based in Okinawa, Japan are supporting search and rescue operations.
- **High Speed Vessel Swift**, an aluminum-hulled catamaran, deployed from Naval Station Ingleside, Texas on January 3<sup>rd</sup> and will provide high-speed connectivity to the shore with its ability to transit shallow water.
- Six ships from **Maritime Prepositioning Squadron Three** loaded with stocks of food, fresh water and other relief supplies began arriving in the region on January 5<sup>th</sup>. These ships also provide heavy transport trucks, Hummvees, bulldozers, amphibious vehicles, and generators. The ships are carrying a total of 43 Reverse Osmosis Purification Water Units capable of producing 600 gallons of potable water/hour. Additionally, five of the six ships are each capable of making 25,000 gallons of fresh water per/day using the ship's evaporators. The water is pumped from ship to shore at a rate of 600 gallons/minute from up to 2 miles from shore.
- **USNS Mercy** hospital ship will serve as a base of operations and warehousing for joint U.S. military medical organizations and international nongovernmental and private relief organizations. The 1,000-bed hospital ship (currently configured to accommodate 250 patients) will support medical units ashore with internal medicine, pediatric, dental, OB/GYN, mental health and infectious disease control.
- A preventative medical team consisting of 31 personnel from **Navy Environmental and Preventive Medicine Unit 6** are in Indonesia providing disease assessment and treatment. Consisting of

epidemiologists, entomologists and lab technicians, the team will monitor water quality, food sanitation and mosquitoes.

- Additionally, over 400 **Seabees** have deployed in the region to provide a variety of disaster recovery efforts such as clearing roads, removing debris, assessing damage, performing port surveys, and assisting in offloading Maritime Prepositioning Force ships.

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## ***HOMELAND SECURITY***

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Under the National Security Presidential Directive (NSPD-41) signed this past December, we are continuing to cultivate relationships and develop capabilities to maximize the advantage that operating in the maritime domain brings to homeland security. We are broadening our relationship with the navies of international allies to prosecute the GWOT. We are expanding the Proliferation Security Initiative to other countries and working bilateral boarding initiatives in all hemispheres.

We are also integrating intelligence and command and control systems with other governmental agencies like the Department of Homeland Security to evaluate effectively the maritime environment and anything that could adversely influence the security, safety or economy of America and our allies. We are developing the Navy's role in the Maritime Domain Awareness concept, including ship tracking and surveillance, to identify threats as early and as distant from our borders as possible in order to determine the optimal course of action. We are working with the Department of Homeland Security to develop a comprehensive National Maritime Security Response Plan to address specific security threats and command and control relationships.



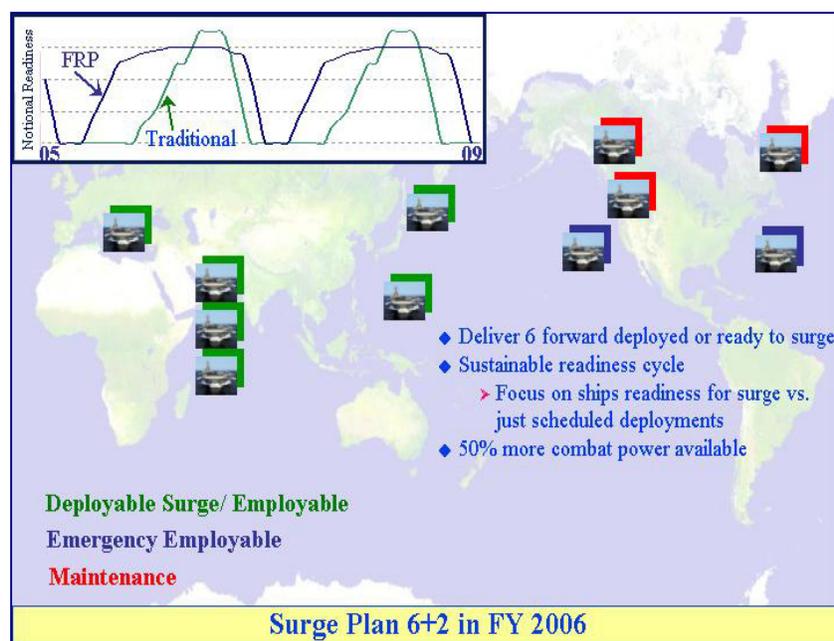
This past October, the Navy transferred four patrol craft to the U.S. Coast Guard for use in a homeland security role. Everything we do in the maritime domain will take into consideration the broad implications to homeland security.

# READINESS

Our carrier strike groups (CSGs) and Marine Expeditionary Forces provide the capability called for in the National Military Strategy to shape the international environment and respond to the full spectrum of crises. Our budget provides for operational levels that will maintain the high personnel and unit readiness necessary to conduct the full spectrum of joint military activities. Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF) demonstrated the responsiveness of current readiness levels.



The Global War on Terrorism requires that we operate differently. We continue our readiness transformation under the Fleet Response Plan (FRP), turning the Fleet into a more effective force by creating a culture of readiness; meeting new readiness and surge thresholds; changing manning, maintenance and training processes to support surge and deployment; and lengthening inter-deployment



cycles. The focus is to enable the Fleet to be both forward deployed and also capable of surging substantial forces. The Navy will provide up to six CSGs within 30 days and two additional CSGs within an additional 60 days, for tasking in a national emergency (“6+2”). In order to attain this substantial surge force, the FRP modifies current ship and air wing operating

cycles to extend the Inter-Deployment Readiness Cycle from 24 months to 27 months. In addition, the FRP modifies training and manpower processes. The FRP increases significantly the amount of time each ship and squadron is available for crisis response, “operationalizing” the Navy’s readiness investment. The FY 2006/FY 2007 request includes resources in the operating accounts to sustain FRP, implemented in FY 2004. The Summer Pulse ’04 fleet exercise demonstrated the Navy’s ability to operate seven carriers simultaneously in five theaters.

The role of the Navy and Marine Corps on the world stage is evident throughout the budget. From contributions to multilateral operations under United Nations/NATO auspices to cooperative agreements with allied Navies, international engagement efforts cross the entire spectrum of the Department's missions and activities. Naval capabilities are often demonstrated through participation with allies and other foreign countries, in joint exercises, port visits, and exchange programs.



Operational activities include drug interdiction, joint maneuvers, multi-national training exercises, humanitarian assistance (including natural disaster, medical, salvage, and search and rescue), and when called upon contingency operations, such as in the Arabian Gulf, the Balkans, and Afghanistan/Northern Arabian Sea as part of Operation Enduring Freedom and Iraq as part of Operation Iraqi Freedom. On any given day, approximately 40,000 Sailors and 32,000 Marines in over 90 ships and bases are deployed to locations around the world. At times of heightened operations, these numbers often surge to higher levels.

### *Chart 5 - Navy/Marine Corps Today*

#### *Navy*

- 90 ships deployed (31% of total)
  - > 141 ships underway (49% of total)
- 3,373 activated reserves / 370,183 Active strength
- 15 Navy ships delivered more than 5 million pounds of relief supplies and equipment to tsunami relief efforts



**Navy-Marine Corps team  
forward-deployed and ready**



#### *Marine Corps*

- First Marine Expeditionary Force (I MEF) preparing to redeploy
- III MEF forward deployed WESTPAC heavily involved in Tsunami relief efforts
- II MEF beginning to deploy
- 13,138 activated reserves
- Active strength 177,894

Chart 5 - Reflects Navy/Marine Corps operations as of 2 February 2005.

# SHIP OPERATIONS

## Battle Force Ships

The budget provides for a deployable battle force of 289 ships at the end of FY 2006 and 293 ships in FY 2007 as shown in Table 3. This level will support 11 aircraft carriers and 11 large amphibious ships as the base on which our carrier and expeditionary strike groups form for deployment.

In FY 2006, nine ships (four Guided Missile Destroyers (DDG), three Combat Logistic Ships (AKE), two Amphibious Helo/Landing Craft Carriers (LPD)) will be delivered, while five ships (one Cruiser (CG), one Nuclear Attack Submarine (SSN), two Amphibious Helo/Landing Craft Carriers (LHA/LPD), one Combat Logistics Ship (AOE)) will be inactivated.

**Table 3**  
**Department of the Navy**  
**Battle Force Ships**

	FY 2004	FY 2005	FY 2006	FY 2007
Aircraft Carriers	12	11	11	11
Fleet Ballistic Missile Submarines	14	14	14	14
Guided Missile (SSGN) Submarines	4	4	4	4
Surface Combatants	103	99	102	106
Nuclear Attack Submarines	54	55	54	53
Amphibious Warfare Ships	35	35	35	35
Combat Logistics Ships	34	32	34	36
Mine Warfare Ships	17	17	17	16
Support Ships	19	18	18	18
<b>Battle Force Ships</b>	<b>292</b>	<b>285</b>	<b>289</b>	<b>293</b>



**Active Forces**

The Department is determined to ensure the full readiness of the carrier strike groups (CSGs) and expeditionary strike groups (ESGs) that have been instrumental in the prosecution of the Global War on Terrorism. For FY 2006/FY 2007, deployed ship operations are budgeted to maintain highly ready forces, prepared to operate jointly to perform the full-spectrum of military activities, and to meet forward deployed operational requirements and overseas presence commitments in support of the National Military Strategy. The FY 2006/FY 2007 budget request supports the Fleet Response Plan (FRP), enabling ships to surge and reconstitute rapidly. The Department is now ready to provide six CSGs within the first 30 days of a potential conflict and two additional carrier groups within an additional 60 days. The budget provides funds necessary to achieve the active operational tempo (OPTEMPO) goal of 51 underway days per quarter for deployed forces and 24 underway days per quarter for non-deployed forces. The funding level supports the Global Naval Forces Presence Plan in terms of CSG and ESG requirements, as required by national security policy.



Non-deployed OPTEMPO provides primarily for the training of Fleet units when not deployed, including participation in individual unit training exercises, multi-unit exercises, joint exercises, sustainment training, and various other training exercises. The extension of the training period under FRP allows for a reduction in non-deployed OPTEMPO while maintaining a combat ready and rapidly deployable force.

**Chart 6 - Active Force Ship OPTEMPO**

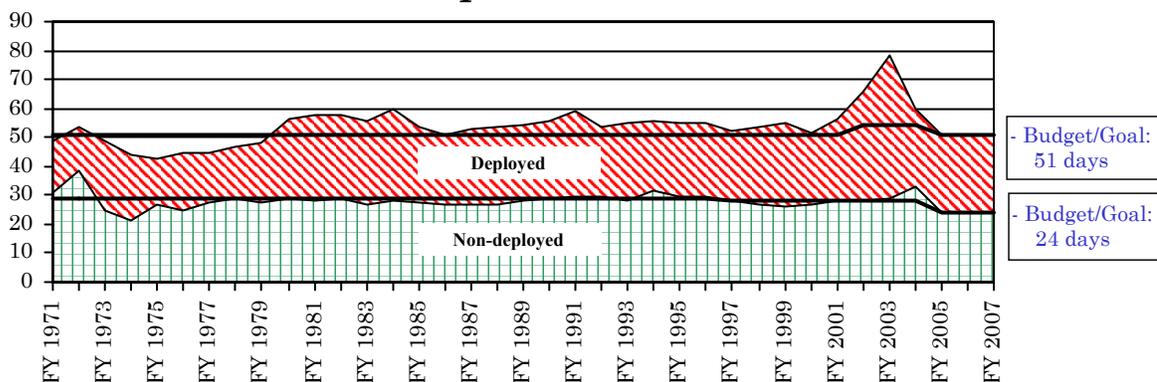


Chart 6 illustrates historical and budgeted OPTEMPO. The horizontal lines are the deployed and non-deployed budgeted goals. Fluctuations from the goals reflect real world operations.

**Reserve Forces**

The Naval Reserve force continues to integrate with the active force to achieve readiness goals. In FY 2006 and FY 2007, the Naval Reserve will consist of 15 Battle Force ships with nine FFGs, five MCMs, and one MHC. Table 4 reflects reserve battle force ships and their respective non-deployed steaming days.

**Table 4**  
**Department of the Navy**  
**Significant Naval Reserve Force Factors**

	FY 2004	FY 2005	FY 2006	FY 2007
Surface Combatants	9	9	9	9
Mine Warfare	6	6	6	6
<b>Reserve Battle Force Ships*</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>

**Steaming Days Per Quarter**

Surface Combatants	18	18	18	18
Mine Warfare	28	18	18	18

\* Also included in Table 3

**Mobilization**

Mobilization forces provide rapid response to contingencies throughout the world. Sealift assets include prepositioning and surge ships. Operating costs of prepositioning ships and exercise costs for surge ships are reimbursed to the National Defense Sealift Fund (NDSF) by the operations account of the requiring Defense component, as parenthetically noted in Table 5. Department of the Navy operation and maintenance appropriations reimburse the biennial exercise costs of the Hospital Ships and the Aviation Maintenance Ships, and will continue to fund the daily operating costs of the Maritime Prepositioning Ships (MPS). Each of three MPS squadrons supports a Marine Expeditionary Brigade for 30 days.



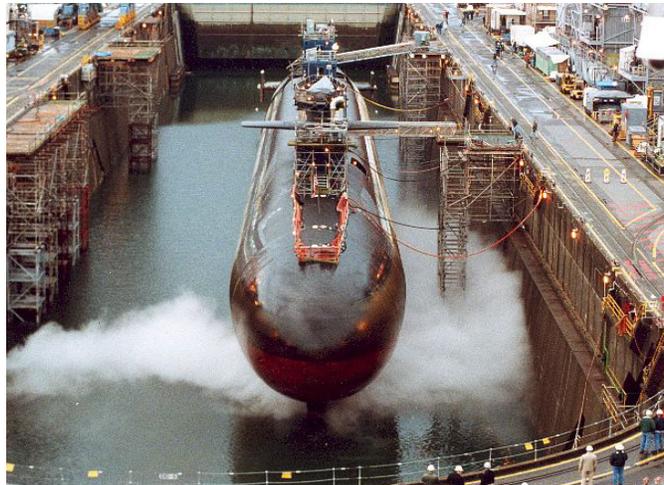
Table 5 displays the composition of Navy mobilization forces.

**Table 5**  
**Department of the Navy**  
**Strategic Sealift**

	FY 2004	FY 2005	FY 2006	FY 2007
<b>Prepositioning Ships:</b>				
Maritime Prepo Ships (O&M,N)	16	16	16	16
CENTCOM Ammo Prepo (O&M,N)	1	1	1	1
Army Prepo Ships (O&M,A)	10	10	10	10
Air Force Prepo Ships (O&M,AF)	4	4	4	4
DLA Prepo Ships (DWCF)	2	2	1	-
<b>Surge Ships:</b>				
Aviation Logistics Support (NDSF)	2	2	2	2
Hospital Ships (NDSF)	2	2	2	2
Fast Sealift Ships (NDSF)	8	8	8	8
Ready Reserve Force Ships (NDSF)	68	59	58	57
Large Medium-Speed RORO Ships (NDSF)	11	11	11	11
Prepositioning Capacity (millions of square feet)	5.7	5.7	5.7	5.7
Surge Capacity (millions of square feet)	9.3	9.0	9.0	9.0
Total Sealift Capacity (millions of square feet)	15.0	14.7	14.7	14.7

## **Ship Maintenance**

The Department's active ship maintenance budget supports 97 percent of the notional O&M maintenance projection in FY 2006 and 94 percent in FY 2007. 100 percent of the SCN refueling overhaul estimates is funded in these years. The ship maintenance budget reflects the Fleet Response Plan, which lengthens periods between shipyard availabilities, yet creates a more employment-capable and responsive fleet that is able to surge and reconstitute rapidly. We have adjusted budgeted notional availabilities to reflect the recent experience of increasing depot maintenance requirements.



The ship maintenance process is a key component of Fleet Response Plan, maximizing carrier strike groups availability through a corporate enterprise approach. The following concepts outline the strategy to support both current and future readiness:

- *SHIPMAIN* - a “best business” practice that is changing the culture of getting ship repair work completed in a one-step process. Through new procedures, SHIPMAIN implements a refined process that eliminates time lags, prioritizes ship jobs, and empowers surface ship Sailors in the maintenance decisions that involve their own ships.
- *One Shipyard for the Nation* - an approach to best utilize the Nation’s public and private nuclear shipyards and contractor support. It capitalizes on the ability to mobilize fleet support infrastructure across the board, and to rise to meet fleet demands in a time of war.
- *Regional Waterfront Maintenance Integration* - continued consolidation of depot and intermediate ship maintenance facilities forming Regional Maintenance Centers. Consolidating waterfront infrastructure eliminates redundancy in mission and administration while establishing a single pierside maintenance activity to support Sailors and their ships.
- *Multi-Ship/Multi-Option Contracts* - allows the executing agency to better plan work and take advantage of best repair capabilities. They will provide long-term vendor relationships throughout ships’ training/deployment/maintenance/modernization cycles, in order to reduce costs through the benefits of advanced planning.

The Nation’s ship repair base, which includes public and private shipyards, has the capacity to execute the FY 2006 and FY 2007 ship maintenance as well as deferred maintenance amounts reflected in Table 6. Annual deferred



maintenance is work that was not performed when it should have been due to fiscal constraints. This includes items that were not scheduled or not included in an original work package due to fiscal constraints, but excludes items that arose since a ship’s last maintenance period. As the execution year progresses, the workload can fluctuate, impacted by factors such as growth in scope and new work on maintenance availabilities, changes in private shipyard cost and shipyard capacity. While some amount of prior years’ deferred maintenance may be executable in following years (depending on deployment schedules and shipyard capacity), the numbers in Table 6

reflect only those individual years’ deferred maintenance, not a cumulative amount.

**Table 6****Department of the Navy****Ship Maintenance***(Dollars in Millions)*

	FY 2004	FY 2005	FY 2006	FY 2007
<b>Active Forces</b>				
Ship Maintenance	3,922	3,947	3,967	3,683
Depot Operations Support	1,147	1,034	833	944
<b>Total: Ship Maintenance (O&amp;MN)</b>	<b>\$5,069</b>	<b>\$4,981</b>	<b>\$4,801</b>	<b>\$4,626</b>
<b>Percentage of Projection Funded</b>	95%	96%	97%	94%
<b>Annual Deferred Maintenance</b>	\$98	\$150	\$123	\$242
CVN Refueling Overhauls (SCN)	214	333	1,509	897
SSN Refueling Overhauls (SCN)	446	19	36	159
SSBN Refueling Overhauls (SCN)	105	334	274	217
<b>Total: Ship Maintenance (SCN)</b>	<b>\$765</b>	<b>\$636</b>	<b>\$1,819</b>	<b>\$1,237</b>
% of SCN Estimates Funded	100%	100%	100%	100%
<b>Reserve Forces</b>				
Ship Maintenance	77	91	72	63
Depot Operations Support	4	3	1	1
<b>Total: Ship Maintenance (O&amp;MNR)</b>	<b>\$81</b>	<b>\$95</b>	<b>\$73</b>	<b>\$64</b>
<b>Percentage of Projection Funded</b>	95%	96%	97%	94%
<b>Annual Deferred Maintenance</b>	\$4	\$4	\$2	\$4

Note: Totals may not add due to rounding.

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## **AIR OPERATIONS**

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### ***Active Tactical Air Forces***

The budget provides for the operation, maintenance, and training of ten active Navy carrier air wings (CVWs) and three Marine Corps air wings. Naval aviation is divided into three primary mission areas: Tactical Air/Anti-Submarine Warfare (TACAIR/ASW), Fleet Air Support (FAS), and Fleet Air Training (FAT). TACAIR squadrons conduct strike operations, provide flexibility in dealing with a wide range of threats identified in the National Military Strategy, and provide long range and local protection against airborne and surface threats. ASW squadrons locate, destroy, and provide force protection against sub-surface threats, and conduct maritime surveillance operations. FAS squadrons provide vital fleet logistics and intelligence support. In FAT, the Fleet Readiness Squadrons (FRS) provide the necessary training to allow pilots to become proficient with their specific type of aircraft and transition to fleet operations.



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### ***Reserve Air Forces***

Reserve aviation will continue to provide vital support to the active force in FY 2006/FY 2007. The Reserves support all of the Department's adversary and overseas logistics requirements and a portion of the electronic training and counter-narcotics missions. The Navy Reserve also provides support to the active force through participation in various exercises and mine warfare missions.

This budget represents a less than normal peacetime requirement. In FY 2006, a \$53 million cost avoidance is reflected in Operation and Maintenance, Navy Reserve flight operations, as some training hours will instead be flown in support of GWOT. Financing for GWOT operations will be requested in a supplemental appropriation.

Table 7 reflects active and reserve aircraft force structure.

**Table 7****Department of the Navy  
Aircraft Force Structure**

	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b><u>Active Forces</u></b>	<b>18</b>	<b>18</b>	<b>18</b>	<b>18</b>
Navy Carrier Air Wings	10	10	10	10
Marine Air Wings	3	3	3	3
Patrol Wings	3	3	3	3
Helicopter Anti-Submarine Light Wings	2	2	2	2
<b><u>Reserve Forces</u></b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
Navy Tactical Air Wing	1	1	1	1
Patrol Air Wing	1	1	1	1
Helicopter Air Wing	1	1	1	1
Logistics Air Wing	1	1	1	1
Marine Air Wing	1	1	1	1
<b><u>Primary Authorized Aircraft (PAA) - Active</u></b> <sup>1</sup>	<b>2,466</b>	<b>2,404</b>	<b>2,352</b>	<b>2,288</b>
Navy	1,465	1,405	1,354	1,301
Marine Corps	1,001	999	998	987
<b><u>Primary Authorized Aircraft (PAA) - Reserve</u></b>	<b>397</b>	<b>382</b>	<b>358</b>	<b>353</b>
Navy	218	209	187	185
Marine Corps	179	173	171	168
<b><u>Aircraft Inventory</u></b>	<b>3,512</b>	<b>3,179</b>	<b>3,141</b>	<b>3,135</b>
Active	3,131	2,807	2,777	2,775
Reserve	381	372	364	360

<sup>1</sup> Does not include trainer or TACAMO aircraft.

The Active FY 2006/FY 2007 reduction in PAA reflects continuation of the helicopter consolidation plan and retirement of the F-14 and S-3 aircraft. For the Naval Air Reserve, the FY 2006/FY 2007 reduction in PAA reflects continuation of TACAIR Integration, as well as Active/Reserve Integration initiatives in the F-18 and P-3 communities.

## Aircraft OPTEMPO

As discussed in previous sections, the Department has transitioned to the Fleet Response Plan (FRP). This high state of readiness represents the combined striking power of over 700 combat ready aircraft. Prior to the FRP, an average readiness rating of T-2.2 was sustained. The FRP will allow for a minimum T-2.5 readiness level across the notional Inter-Deployment Readiness Cycle (T-1.7 while deployed, T-2.0 pre-deployment, T-2.2 post-deployment, and T-3.3 during the maintenance/training phase).



The flying hour program has been priced using the most recent cost per hour experience, including a higher cost for repair part pricing and usage. This is a manifestation of the Department's older type/model/series aircraft and will continue until our recapitalization program can appreciably reduce average aircraft age.

FRS operations are budgeted at 84 percent of the training requirement, enabling pilots to complete the training syllabus while taking into account execution limitations due to aircraft availability and weather. Student levels are



established by TACAIR/ASW force level requirements, aircrew personnel rotation rates, and student output from the undergraduate pilot/naval flight officer training program. FAS funding provides sufficient hours to meet 96 percent of the total notional hours. The Naval Reserve is budgeted at 78 percent and 90 percent of the notional hours in FY 2006 and FY 2007,

as indicated in Table 8. These flying hours reflect a cost avoidance reduction from 90 percent to 78 percent in FY 2006 in anticipation of continued operations in the GWOT. Monthly flying hours per crew also decrease correspondingly to 8.8 per month in FY 2006, but return to 10.2 per month in FY 2007.

Chart 7 displays historical flying hours.

**Chart 7 - Flying Hour Program**

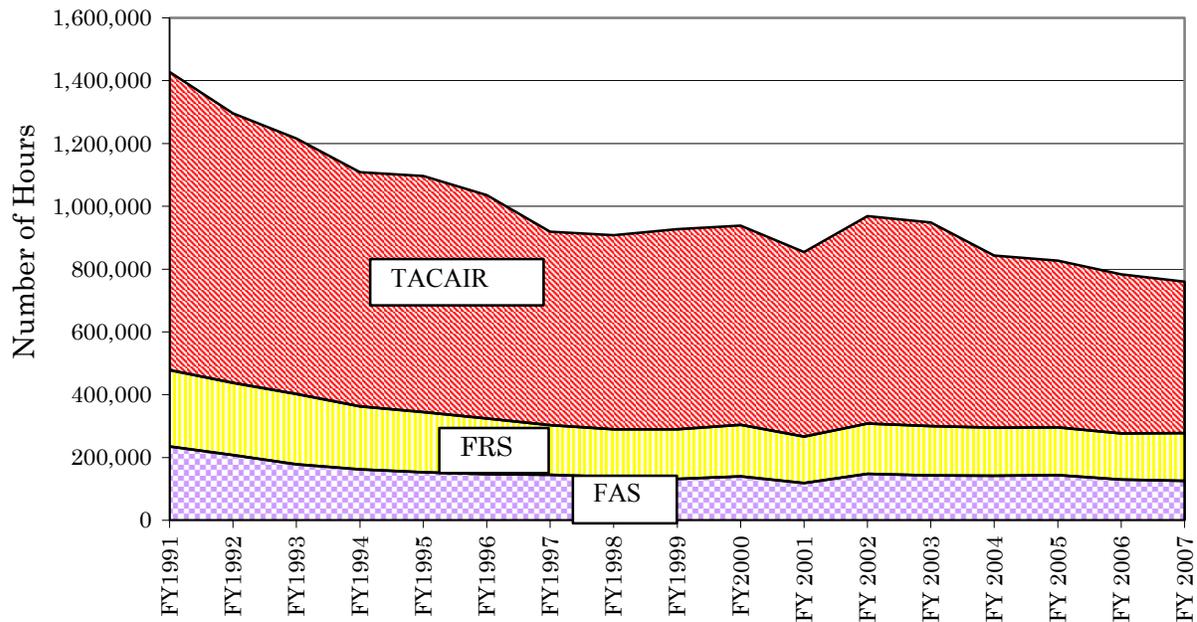


Table 8 displays active and reserve flying hour readiness indicators.

**Table 8**  
**Department of the Navy**  
**Flying Hour Program**

	FY 2004	FY 2005	FY 2006	FY 2007
<b>Active</b>				
TACAIR	T-2.3	T-2.5	T-2.5	T-2.5
Goal	T-2.2	T-2.5	T-2.5	T-2.5
Fleet Readiness Squadrons (%)	88%	84%	84%	84%
Goal	88%	84%	84%	84%
Fleet Air Support (%)	92%	96%	96%	96%
Goal	92%	96%	96%	96%
Monthly Flying Hours per Crew (USN & USMC)	19.3	19.2	19.1	18.9
<b>Reserve</b>				
Reserve Squadrons (%)	T-2.2	T-2.3	T-2.8	T-2.3
Percent of Requirement Funded	100%	90%	78%	90%
Goal	100%	90%	90%	90%
Monthly Flying Hours per Crew (USNR & USMCR)	11.3	10.2	8.8	10.2

## Aircraft Depot Maintenance

The active and reserve aircraft depot maintenance programs fund repairs, conversions and overhauls, within available capacity, to ensure that a sufficient quantity of aircraft are available to operational units. The readiness-based model used to determine airframe and engine maintenance requirements is based on squadron inventory authorization necessary to execute assigned missions. The goal of the airframe rework program is to provide enough airframes to meet 100% PAA for deployed squadrons and 90% PAA for non-deployed squadrons. The engine rework program objective is to return depot-repairable engines/modules to Ready-for-Issue (RFI) status, to obtain both zero bare firewalls and fill 90% of each type/model/series RFI engine pool requirements. Other depot maintenance includes the repair of aeronautical components for aircraft systems and equipment under direct contractor logistics support.



	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY2006</u>	<u>FY2007</u>	<u>Goal</u>
MC Aircraft	67	73	73	73	73
FMC Aircraft	49	56	56	56	56

The Department’s budget for FY 2006/FY 2007 is sufficient to achieve the active and reserve engine and airframe readiness goals for deployed squadrons. Active non-deployed squadrons are funded to achieve 86 percent and 88 percent of the airframe goal for FY 2006 and FY 2007, respectively; reserve non-deployed squadrons are funded to achieve 87 percent and 81 percent of the airframe goal for FY 2006 and FY 2007, respectively. Deployed squadrons have sufficient aircraft and engines to meet requirements prior to and during deployment. Non-deployed squadrons also have sufficient aircraft and engines to satisfy post deployment readiness requirements associated with squadron and air wing training exercises.

To support a wide range of fleet operations and training, the Navy has targeted an aggregate aircraft Mission Capable (MC) rate of 73 percent and an aggregate Full Mission Capable (FMC) rate of 56 percent. This applies to both deployed and non-deployed aircraft.

Table 9 summarizes active and reserve aircraft depot maintenance.

**Table 9**

**Department of the Navy**  
**Aircraft Depot Maintenance**  
(Dollars in Millions)

	FY 2004	% at Goal	FY 2005	% at Goal	FY 2006	% at Goal	FY 2007	% at Goal
<b>Active Forces</b>								
Airframes	599		807		548		563	
Engines	353		304		329		357	
Other Components	71		73		85		59	
<b>Total: Active Aircraft Depot Maintenance</b>	<b>\$1,023</b>		<b>\$1,184</b>		<b>\$962</b>		<b>\$980</b>	

**Airframes - Active Forces**

Deployed Squadrons meeting goal of 100% PAA	150	100%	148	100%	147	100%	140	100%
Non-Deployed Squadrons meeting goal of 90% PAA	162	97%	150	89%	142	86%	146	88%

**Engines - Active Forces**

Engine TMS meeting Zero Bare Firewall goal	73	100%	71	100%	71	100%	70	100%
Engines TMS meeting RFI Spares goal of 90%	73	100%	67	94%	61	86%	60	86%

**Reserve Forces**

Airframes	104		99		101		97	
Engines	35		32		41		39	
<b>Total: Reserve Aircraft Depot Maintenance</b>	<b>\$13</b>		<b>\$131</b>		<b>\$142</b>		<b>\$136</b>	

**Airframes - Reserve Forces**

Non-Deployed Squadrons meeting goal of 90% PAA	64	100%	59	95%	52	87%	47	81%
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**Engines - Reserve Forces**

Engine TMS meeting Zero Bare Firewall goal	48	100%	48	100%	48	100%	48	100%
Engine TMS meeting RFI spares goal of 90%	48	100%	40	83%	44	92%	46	96%

Note: Totals may not add due to rounding.

**Also refer to Appendix A for more information:**

Operation and Maintenance, Navy  
Operation and Maintenance, Navy Reserve  
National Defense Sealift Fund

**Table**

A-5  
A-7  
A-17

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## MARINE CORPS OPERATIONS

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### *Active Operations*

In FY 2005, the United States is responding to a wide range of challenges across the globe, including fighting the Global War on Terrorism, rebuilding Iraq into a peaceful, productive member of the world community, and preventing the spread of weapons of mass destruction. In this era, the Nation needs forces that are highly mobile, flexible, and adaptable. These characteristics define the Marine Corps, and they must continue to do so in the future.



The operation and maintenance budget supports the Marine Corps operating forces, comprised of three active Marine Expeditionary Forces (MEFs). Each MEF consists of a command element, one infantry division, one air wing, and one force service support group. This budget provides for training and equipment maintenance so that Marine Corps Force Commanders can provide combat ready forces to the Combatant Commanders. The Marine Corps is establishing two additional Infantry Battalions.

MEFs provide a highly trained, versatile expeditionary force capable of rapid response to global contingencies. The inherent flexibility of the MEF organization, combined with Maritime Prepositioning Force (MPF) assets, allows for the rapid deployment of appropriately sized and equipped forces. These forces possess the firepower and mobility needed to achieve success across the full operational spectrum in either joint or independent operations. Embedded within each MEF is the capability to source a Marine Expeditionary Brigade (MEB).



These funds also support the 4th MEB Anti-Terrorism (AT), whose mission is to detect, deter, defend, and conduct initial incident response to combat the threat of worldwide terrorism. The 4th MEB (AT) is the only MEB that has a permanently dedicated structure. The budget also continues the fielding of improved combat equipment and clothing for the individual Marine.

Table 10 displays Marine Corps land forces.

**Table 10****Department of the Navy  
Marine Corps Land Forces**

	FY 2004	FY 2005	FY 2006	FY 2007
Number of Marine Expeditionary Forces	3	3	3	3
Number of Marine Expeditionary Brigades	4	4	4	4
Number of Active Battalions	51	52	53	53
Number of Reserve Battalions	21	21	20	20

**Reserve Operations**

This budget supports a Marine Reserve Force that includes the Fourth Marine Division, the Fourth Marine Aircraft Wing, the Fourth Force Service Support Group, and the Mobilization Command created by the merger of the Marine Corps Support Activity and the Marine Corps Reserve Support Command. The Department's FY 2006/FY 2007 budget ensures that the readiness of the Reserve Force will be maintained by providing increased funding for training, base support, and the operation and maintenance of equipment.

**Ground Equipment Depot Maintenance**

Repair/rebuild is accomplished on a scheduled basis to maintain the readiness of the equipment inventory necessary to support operational needs. Items programmed for repair are screened to ensure that a valid stock requirement exists and that the repair or rebuild of the equipment is the most cost effective means of satisfying the requirement. This program is closely coordinated with the efforts funded in the Procurement, Marine Corps appropriation to ensure that the combined repair/procurement program provides a balanced attainment of inventory objectives for major equipment. Thus, the specified items to be rebuilt, both principal end items and components, are determined by a process which utilizes cost-benefit considerations as a prime factor. The rebuild costs for each item are updated annually on the basis of current applicable cost factors at the performing activities. This peacetime budget provides for the major repair and rebuild of USMC ground equipment and balances longer term risk with near term readiness for the Maritime Prepositioning Force and Marine Corps Operating Forces.

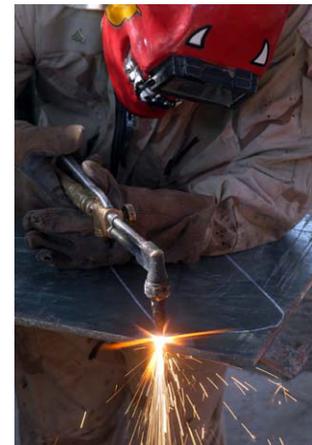


Table 11 summarizes Marine Corps active and reserve forces ground equipment depot maintenance.

**Table 11****Department of the Navy****Marine Corps Ground Equipment Depot Maintenance***(Dollars in Millions)*

	FY 2004		FY 2005		FY 2006		FY 2007	
	% of \$ Rqmt		% of \$ Rqmt		% of \$ Rqmt		% of \$ Rqmt	
<b>Active Forces</b>								
Combat Vehicles	74.0	73%	25.0	26%	76.0	53%	79.0	56%
Tactical Missiles	2.0	85%	0.3	86%	0.1	56%	-	-%
Ordnance	7.0	86%	6.0	87%	2.0	24%	0.3	5%
Electrical Communication	23.0	83%	5.0	18%	7.0	54%	16.0	73%
Engineering	13.0	75%	6.0	99%	0.2	2%	1.0	9%
Automotive Equipment	51.0	100%	59.0	98%	28.0	51%	34.0	49%
<b>Total Active Forces</b>	<b>\$170.0</b>	<b>82%</b>	<b>\$101.3</b>	<b>51%</b>	<b>\$113.3</b>	<b>50%</b>	<b>\$130.3</b>	<b>53%</b>
<b>Reserve Forces</b>								
Combat Vehicles	3.0	26%	8.0	70%	12.0	84%	15.0	70%
Tactical Missiles	-	-%	0.1	100%	-	-%	-	-%
Ordnance	3.0	99%	0.1	100%	0.1	10%	-	-%
Electrical Communication	3.0	74%	0.1	3%	-	-%	0.1	3%
Engineering	0.3	93%	0.6	42%	0.1	2%	1.0	23%
Automotive Equipment	0.3	41%	3.0	78%	2.0	72%	2.0	78%
<b>Total Reserve Forces</b>	<b>\$9.6</b>	<b>52%</b>	<b>\$11.9</b>	<b>63%</b>	<b>\$14.2</b>	<b>65%</b>	<b>\$18.1</b>	<b>56%</b>
<b>Total Active &amp; Reserve Forces</b>	<b>\$179.6</b>		<b>\$113.2</b>		<b>\$127.5</b>		<b>\$148.6</b>	

**Also refer to Appendix A for more information:**

Operation and Maintenance, Marine Corps  
 Operation and Maintenance, Marine Corps Reserve

**Table**

A-6  
 A-8

## **SECTION III- SHAPING OUR 21<sup>ST</sup> CENTURY MANPOWER**

### **OVERVIEW**

People who are well led, well trained, and adequately compensated are the most important resource in our readiness equation. Quality of life and quality of service remain a primary focus for the Department. America's naval forces are combat-ready largely due to the dedication and motivation of individual Sailors, Marines, and civilians. The development and retention of quality people are vital to our continued success. The Department is committed to taking care of our Sailors and Marines by sustaining our quality of service/quality of life programs, including training, compensation, and promotion opportunities, health care, housing, and reasonable operational and personnel tempo. The Department continues to focus on three fronts: recruiting the right people, retaining the right people, and achieving targeted attrition. We continue to dedicate resources to those programs best suited to ensuring the proper combination of grade, skill, and experience in the force.



Military personnel FY 2006/FY 2007 budget estimates include a basic pay raise of 3.1 percent in FY 2006, and 3.4 percent in FY 2007. We have funded various bonus programs to ensure success in meeting budgeted strength levels. As a result of increased efficiencies ashore and a reduction in legacy force structure, the Navy has budgeted reduced strength in FY 2006 and FY 2007. All assigned missions can be accomplished with this level as a result of force structure changes, efficiencies gained through technology, altering the workforce mix, and new manning practices. Management of the resizing is challenging and requires additional force shaping tools, such as early separation authorities. The Marine



Corps baseline strength remains steady while undergoing military to civilian conversions to reassign supporting establishment billets to deployable forces, in effect creating a virtual increase in strength while providing scalable and interoperable forces to ensure continued readiness. Congress has authorized additional strength for the Marine Corps, and the

Department will separately fund such requirements in supplemental requests as they continue.

Training our Sailors and Marines is critical to implementing transformation initiatives and to ensure optimum results. The Department is transforming the naval military personnel force by creating modern human resource systems to

achieve the objectives of Sea Power 21 and Marine Corps Strategy 21. To accommodate the demand for this training in a more efficient manner, the Department is transitioning its training concepts and methods from the traditional schoolhouse classroom approach to processes that involve the use of simulators, trainers, computer-based interactive curriculums, and other approaches that are media based. Transformation initiatives are often the result of emerging technologies that permit the creation of a new type of military force and approach to warfare. Training individuals is critical to taking full advantage of advanced technologies.

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## ***MILITARY PERSONNEL***

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### ***Active Navy Personnel***

We have invested in recruiting, retaining, and training Navy personnel to create an environment that offers opportunity, promotes personal and professional growth, and provides the kind of workforce needed for the 21st century. With few exceptions, we achieved C-2 manning status for all deploying strike group units at least six months prior to deployment.



The Navy is developing the Human Capital Strategy (HCS) that will provide a new framework to assess, train, develop and distribute our manpower. Central to the strategy is the need to fully understand the manpower requirement of our future force. This will allow us to tailor our total manpower needs, expanding or contracting where it is required. The goals of the HCS are:

- A mission centric force that is effective and efficient.
- A Navy that maximizes the value of service for all of our Sailors and civilians.
- An organization that has a more effective work distribution across the work force.
- Sailors attaining a better work / life balance.
- A Navy that is recruiting and retaining a diverse range of Sailors and civilians possessing a wide scope of knowledge, skills and experience.

Central to HCS is the Sea Warrior program, which is the Navy's initiative to develop 21st century Sailors, and is the "people" part of Sea Power 21. This initiative takes into account new platforms, technologies, and rotational crewing concepts (Sea Swap) that will revolutionize crew sizing, and provide interactive computer based tools and training techniques.

The budgeted Navy strength reflects a commitment to "proper sizing" including:

- Sea Swap rotational crew pilot program
- Decommissioning of older, manpower intensive platforms
- Improved training and employment processes (e.g., Navy/Marine Corps TACAIR integration)
- More efficient infrastructure manning
- Increased reliance on technology to reduce shipboard manning and shorten training pipelines
- Conversion of military to civilian or contractor performance as appropriate, including continued conversion of some billets on Military Sealift Command (MSC) ships, shift of additional ships to MSC, and a substantial number of medical functions.

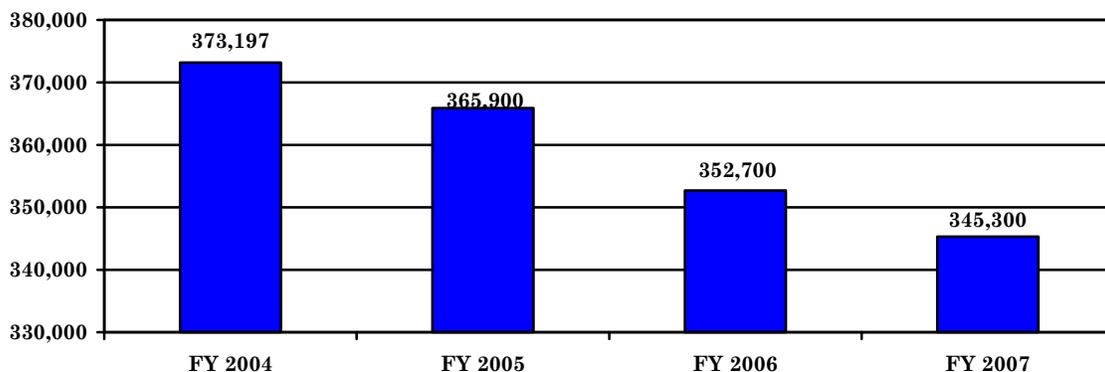
Recruiting continues to meet the manpower needs of the Navy. Active Navy recruiters have met their monthly shipping and new contract mission goals for 41 consecutive months. Active recruiting also continued to increase the quality of sailors being sent to the fleet by increasing the High School Diploma Graduate percentage to over 95 percent, and over 70 percent of FY 2004 accessions were in test score category I-III A. Over 12 percent of new recruits had some college experience. We will maintain the number of E-4 to E-9 (Top 6) at 73 percent in FY 2006 and FY 2007 to continue to retain more of our experienced leaders and maintain advancement opportunities.



<b>Recruiter Productivity (Active)</b>				
	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
# of Recruiters	4,370	4,200	3,750	3,550
# of Recruits	38,876	36,665	35,000	35,000
# of Recruits per Recruiter	9	9	9	10
Size of DEP (Beginning of FY)	26,367	24,927	24,927	24,927

Chart 8 and Table 12 provide summary personnel strength, accessions, reenlistment, and attrition data for active Navy personnel.

**Chart 8- Active Navy Personnel Strength**



**Table 12**  
**Department of the Navy**  
**Active Navy Personnel**

	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Officers	54,208	52,870	51,895	51,435
Enlisted	314,681	309,030	296,705	289,865
Midshipmen	4,308	4,000	4,100	4,000
<b>Total: Strength</b>	<b>373,197</b>	<b>365,900</b>	<b>352,700</b>	<b>345,300</b>
Enlisted Accessions	39,677	38,500	35,000	35,000
Percent High School Diploma Graduates	94%	95%	95%	95%
Percent above average Armed Forces Qualification Test	70%	70%	70%	70%

<b>Enlisted Reenlistment Rates</b>					
	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>Steady State Goal</b>
Zone A (<6 years)	54%	53%	55%	52%	57%
Zone B (6+ to 10 years)	70%	69%	69%	70%	70%
Zone C (10+ to 14 years)	86%	85%	84%	85%	90%

Note: Strength Plans categorize reenlistments as First Term (Zone A) and Career. Zones B and C rates derived using extrapolated Center for Career Development historical data.

<b>Enlisted Attrition</b>				
	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Zone A (<6 years)	8.5%	7.7%	8.0%	7.8%
Zone B (6+ to 10 years)	2.5%	1.5%	2.0%	1.7%
Zone C (10+ to 14 years)	1.4%	0.8%	0.9%	0.8%

**Reserve Navy Personnel**

The budget continues to transform our military, further integrating our Active and Reserve forces. The Naval Reserve Force provides mission-capable units and individuals to the Navy/Marine Corps Team throughout the full range of operations from peace to the Global War on Terrorism. This budget will support Naval Reserve strength of 73,100 in FY 2006, reduced to 71,200 in FY 2007, providing pay and allowances for drilling Navy reserve and Full Time Support (FTS) personnel. FY 2005 strength is currently expected to be 3,000 below the authorized level, as part of the changes described below.



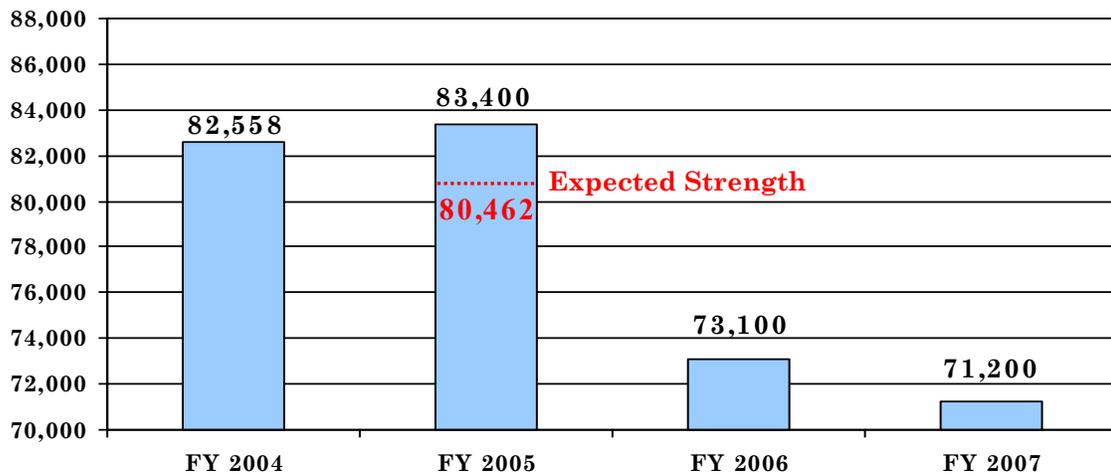
The Navy's continuous Zero Based Review (ZBR) is validating Navy Reserve mission requirements and associated reserve billet structure, creating efficiencies and allowing resources in every capability to be more effectively integrated into Navy operations. The budget reflects implementation of the

initial phases of the ZBR. Some of these modifications include: disestablishment of FFG-7 class augment units and changes to the ship manning documents, reduction of CVN augment units and SeaBee units, deletion of reserve personnel on a submarine tender, reductions in manning at various naval stations, conversion of Force Protection FTS and drilling reserve billets, and disestablishment of the EA-6B augment units due to future transition to EA-18G. This budget also provides a non-prior service program to meet Hospital Corpsman manning challenges and adds funding for force shaping to allow the force to align to the ZBR structure. The Navy Reserve goal is to increase the ability to provide integrated, valued, and aligned capabilities that maximize periodic and predictable operational support to the fleet.

In FY 2006, this budget reflects a \$70M mobilization cost avoidance in Reserve Personnel, Navy. This adjustment was made in anticipation of continued operations in the GWOT requiring the mobilization of reservists.

Chart 9 and Table 13 provide summary personnel strength, for reserve Navy personnel.

**Chart 9 - Reserve Navy Personnel Strength**



**Table 13**  
**Department of the Navy**  
**Reserve Navy Personnel**

	FY 2004	FY 2005	FY 2006	FY 2007
Drilling Reserve	68,440	69,248	59,708	58,619
Full Time Support	14,118	14,152	13,392	12,581
<b>Total: Strength</b>	<b>82,558</b>	<b>83,400</b>	<b>73,100</b>	<b>71,200</b>

<u>Also refer to Appendix A for more information:</u>	<u>Table</u>
Military Personnel, Navy	A-1a
Medicare-Eligible Retiree Health Fund Contribution, Navy	A-1b
Reserve Personnel, Navy	A-3a
Medicare-Eligible Retiree Health Fund Contribution, Navy Reserve	A-3b

## Active Marine Corps Personnel

This budget submission supports a strength of 175,000 Marines. The Marine Corps is realigning existing strength to ensure continuing readiness and sustained combat capabilities. Military to civilian conversions allow Marines



who were in supporting establishment billets to be reassigned to deployable forces, effectively increasing the number of “trigger pullers” with no increase in strength. Also, additional strength, as authorized for FY 2005, will be funded through supplemental requests to the extent it remains necessary during intense contingency operations.

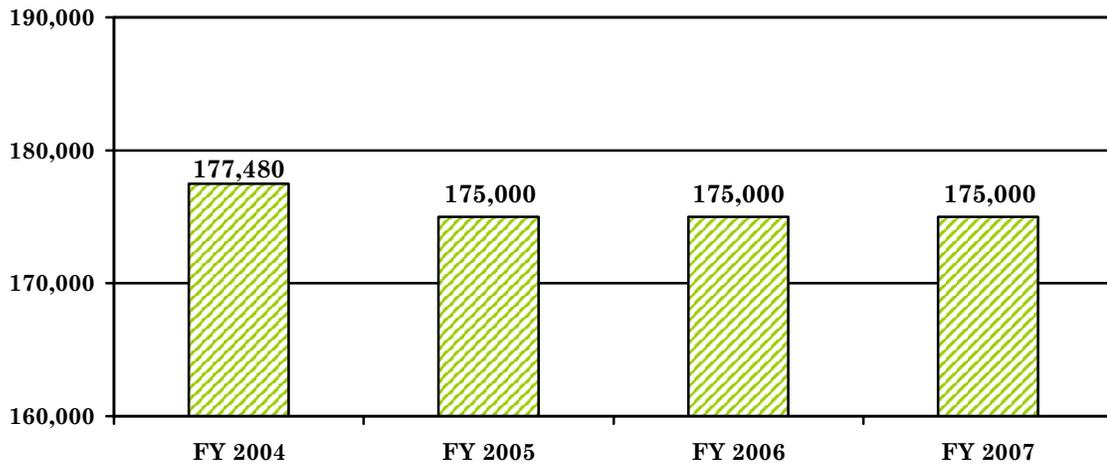
Due to increased demands, we are relying on Selected Marine Corps Reserve unit activations and individual augmentees as necessary to provide essential wartime capability.

The Marine Corps anticipates continued success in meeting recruiting and retention goals to maintain the planned force level. Additionally, this budget supports requirements for initial skill training, and follow-on training courses; provides for a martial arts program that provides combat skills for all members; and supports continued success in meeting recruit accession goals. This budget request also continues distance-learning programs in an effort to reduce the training pipeline, thereby increasing manning levels of the operating forces.

<b>Recruiter Productivity (Active)</b>				
	<b><u>FY 2004</u></b>	<b><u>FY 2005</u></b>	<b><u>FY 2006</u></b>	<b><u>FY 2007</u></b>
# of Recruiters	2,650	2,650	2,650	2,650
# of Recruits	30,450	32,006	32,468	32,600
# of Recruits per Recruiter	12	12	12	12

Chart 10 and Table 14 provide summary personnel strength, accessions, and retention data for active Marine Corps personnel.

**Chart 10 - Active Marine Corps Personnel Strength**



**Table 14**  
**Department of the Navy**  
**Active Marine Corps Personnel**

	FY 2004	FY 2005	FY 2006	FY 2007
Officers	18,839	18,088	18,400	18,400
Enlisted	158,641	156,912	156,600	156,600
<b>Total: Strength</b>	<b>177,480</b>	<b>175,000</b>	<b>175,000</b>	<b>175,000</b>
Enlisted Accessions	30,450	33,006	32,468	32,600
Percent High School Diploma Graduates	98%	95%	95%	95%
Percent above average Armed Forces Qualification Test	72%	63%	63%	63%
Reenlistments	14,896	15,200	17,519	16,542

	<b>Enlisted Retention Rates</b>				<b>Steady State Goal</b>
	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	
Zone A (<6 years)	26.0%	25.0%	25.0%	25.0%	25.0%
Zone B (6+ to 10 years)	81.0%	80.0%	80.0%	80.0%	80.0%
Zone C (10+ to 14 years)	93.0%	90.0%	90.0%	90.0%	90.0%

**Reserve Marine Corps Personnel**

The FY 2006/FY 2007 budget request supports a Marine Corps Reserve strength of 39,600. This strength ensures the availability of trained units augmenting and reinforcing the active forces, as well as providing manpower for a Marine Air Ground Task Force headquarters and Marine Forces Reserve. The budget

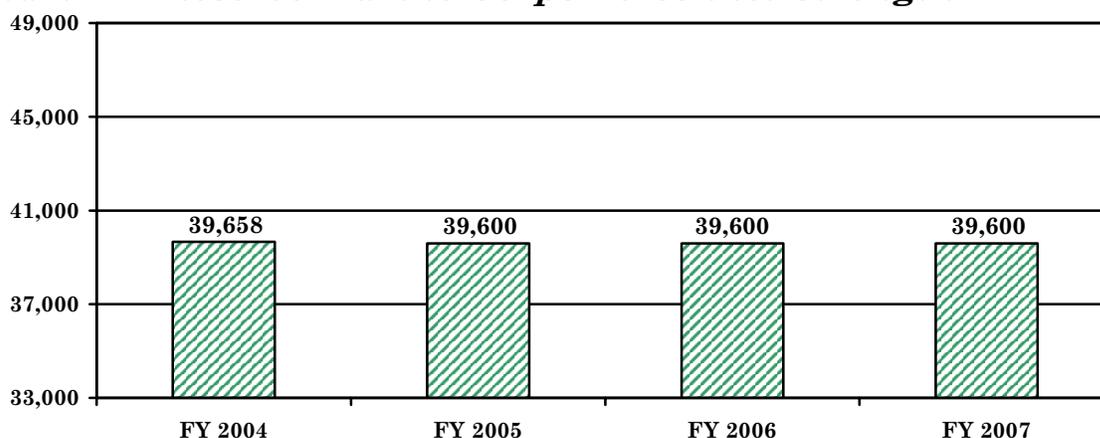


provides pay and allowances for drilling reservists attached to specific units, Individual Mobilization Augmentees (IMAs), personnel in the training pipeline, and full-time active Reserve personnel. Consistent with the active component, the Marine Corps funds bonus programs at levels required to meet recruiting and retention goals.

In FY 2006, this budget reflects a \$36 million mobilization cost avoidance in Reserve Personnel, Marine Corps. This adjustment was made in anticipation of continued operations in the GWOT requiring the mobilization of reservists.

The Marine Corps continually reviews its reserve requirements to fully support the National Military Strategy. The Department remains committed to reserve support enhancing and complementing the active force while maintaining unit readiness to meet crisis and security requirements. Chart 11 and Table 15 provide summary personnel strength for reserve Marine Corps personnel.

**Chart 11 - Reserve Marine Corps Personnel Strength**



**Table 15**  
**Department of the Navy**  
**Reserve Marine Corps Personnel**

	FY 2004	FY 2005	FY 2006	FY 2007
Drilling Reserve	37,395	37,339	37,339	37,339
Full Time Support	2,263	2,261	2,261	2,261
<b>Total: Strength</b>	<b>39,658</b>	<b>39,600</b>	<b>39,600</b>	<b>39,600</b>

<b>Also refer to Appendix A for more information:</b>	<b>Table</b>
Military Personnel, Marine Corps	A-2a
Medicare-Eligible Retiree Health Fund Contribution, Marine Corps	A-2b
Reserve Personnel, Marine Corps	A-4a
Medicare-Eligible Retiree Health Fund Contribution, Marine Corps Reserve	A-4b

## CIVILIAN PERSONNEL

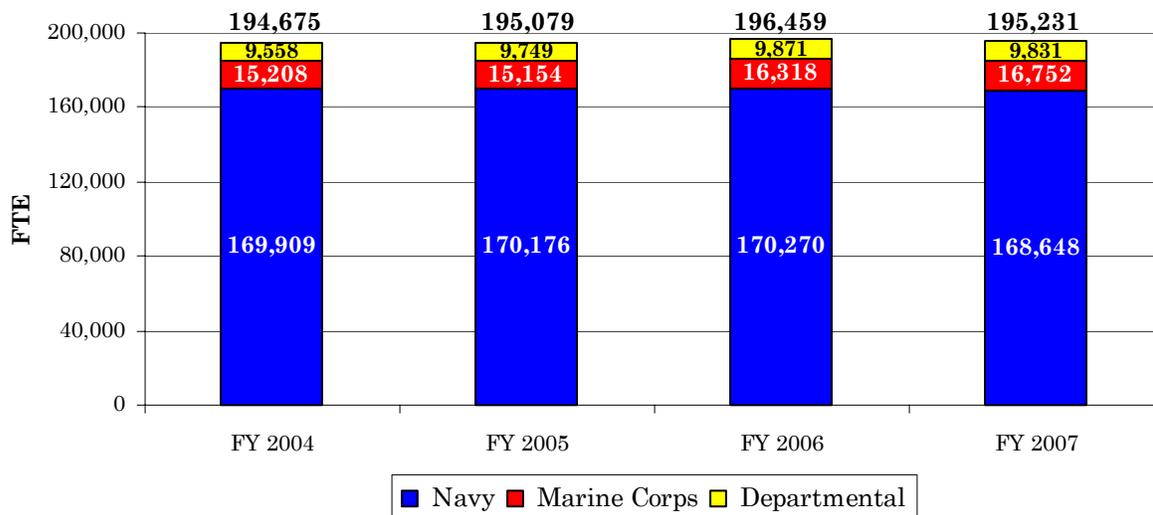
The majority of the Department’s civilian personnel are funded by operating appropriations and provide direct support at Navy and Marine Corps bases and stations; engineering, development, acquisition and life cycle support of weapon systems; Navy Fleet/Marine Corps operations support; and medical activities. In addition, a significant portion of civilian personnel work at Navy Working Capital Fund activities supporting depot level maintenance and repair, development of enhanced warfighting capabilities at warfare centers, and direct fleet transportation, supply, and public works support. Departmental functions include: Departmental headquarters organizations, criminal investigative service, human resource support, scientific research, and acquisition program oversight within the Navy and Marine Corps. Since FY 2000, the Department has done better than the directed management headquarters personnel reduction of 15 percent. Overall reductions in civilian personnel levels are offset by increases due to military to civilian conversions in the medical and transportation areas, and in the Marine Corps as previously discussed.



The Department of the Navy budget includes the following civilian personnel Full-Time Equivalent (FTE) workyear estimates:

Civilian FTE Workyear Estimates				
	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
FTE	194,675	195,079	196,459	195,231

**Chart 12 - Civilian Personnel FTEs**



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## ***Transforming the Workforce***

### ***National Security Personnel System (NSPS)***

The FY 2004 National Defense Authorization Act authorized the Department of Defense to establish a new civilian human resources management system known as the National Security Personnel System (NSPS). This legislation provides flexibilities in the hiring and management of civilian workers, and links pay to mission accomplishment and performance. The NSPS reforms will provide supervisors and managers greater flexibility in managing our civil service employees, facilitate competition for high quality talent, offer compensation competitive with the private sector, and reward outstanding service. Properly executed, these changes will also assist us in better utilizing the active duty force by making it easier to employ civilians in jobs currently filled by uniformed military personnel.

Workers will be converted to the new system in three spirals. Spiral One will include approximately 300,000 Army, Navy, Marine Corps, Air Force, and other Department of Defense civilian employees and will be rolled out in three phases over an 18-month period beginning in July 2005. Spiral Two will comprise the remainder of the eligible workforce and will be initiated following an assessment of Spiral One and after the Secretary of Defense certifies the Department's performance management system. Spiral Three will comprise the Department of the Defense labs should current legislative restrictions be eliminated.

### ***Workforce Balancing***

The Department strives to achieve the most effective and efficient workload balance among its military, civilian, and supporting contractor components. As part of the Strategic Sourcing program, the Department will study over 63,000 military and civilian positions by FY 2008. Additionally, the Department continues to identify military billets that are not "military essential" for conversion to civilian personnel or contractor performance.

### ***Civilian Community Management***

The Department is invigorating civilian career management, from entry-level recruitment through the progression into senior ranks, by reviving old and establishing new career groups covering a wide range of functions to support the integrated force concept. Central to this is the identification of needed competencies for each career group, and performance standards necessary for mission accomplishment. This will ensure the Navy and Marine Corps will have the right mix of people and skills.

The Department of the Navy continues to strive towards a leaner, more efficient organization so that it can best address its warfighting and recapitalization

requirements. Chart 12 displays planned civilian personnel full-time equivalents and Table 16 displays total civilian personnel resources.

**Table 16**  
**Department of the Navy**  
**Civilian Manpower**  
**Full-time Equivalent**

	FY 2004	FY 2005	FY 2006	FY 2007
<b>Total — Department of the Navy</b>	<b>194,675</b>	<b>195,079</b>	<b>196,459</b>	<b>195,231</b>
<b><u>By Component</u></b>				
Navy	169,909	170,176	170,270	168,648
Marine Corps	15,208	15,154	16,318	16,752
Departmental	9,558	9,749	9,871	9,831
<b><u>By Type Of Hire</u></b>				
Direct	183,267	183,442	184,877	183,680
Indirect Hire, Foreign National	11,408	11,637	11,582	11,551
<b><u>By Appropriation</u></b>				
Operation and Maintenance, Navy	78,549	77,793	75,954	74,835
Operation and Maintenance, Navy Reserve	1,455	1,497	1,360	1,347
Operation and Maintenance, Marine Corps	15,178	15,149	16,313	16,747
Operation and Maintenance, Marine Corps Reserve	164	155	155	155
Defense Health Program (DHP)	10,622	10,962	12,608	13,287
Working Capital Funds	84,041	84,359	85,319	84,321
Military Construction, Navy	2,322	2,344	2,334	2,310
Research, Development, Test & Evaluation, Navy	1,291	1,267	1,128	1,128
Military Assistance	64	69	69	69
Family Housing (N/MC)	989	1,484	1,219	1,032
<b><u>Select Special Interest Areas</u></b>				
Fleet Activities	25,516	25,764	25,540	25,550
Shipyards	11,511	11,426	11,470	10,836
Aviation Depots	10,922	10,952	10,868	10,780
Supply/Distribution/Logistics Centers	5,953	6,667	6,546	6,531
Warfare Centers	35,997	35,904	35,141	34,884
Engineering/Acquisition Commands	13,945	13,091	13,050	12,944
Medical (DHP)	10,622	10,962	12,608	13,287
Installation Management	25,562	25,411	23,377	22,820
Transportation	6,905	6,978	7,615	8,079

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## ***SECTION IV-IMPROVING BUSINESS PRACTICES***

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Providing our Sailors, Marines, and civilians with high quality facilities, information technology, and an environment to achieve their goals are fundamental to mission accomplishment. The ability to project power through forward deployed naval forces relies heavily on a strong and efficient shore support structure.

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### ***BUSINESS SYSTEMS TRANSFORMATION***

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The Department is aggressively adopting proven best commercial practices in meeting our transformation objectives. Our initiatives will complement each other by delivering more accurate, reliable, and timely management data within an integrated automated environment. This business intelligence will better relate our resource investments to operational capabilities or outcomes, providing our warfighters and key decision makers with the information they need, when they need it. Our business transformation strategy involves four key elements:



- **Framework:** Overarching DoD Business Enterprise Architecture (BEA)
- **Cornerstone:** Navy Converged Enterprise Resource Planning (C-ERP)
- **Transition Tool:** Functional Area Management (FAM)
- **Integrated Game Plan:** DON Financial Improvement Plan (FIP)

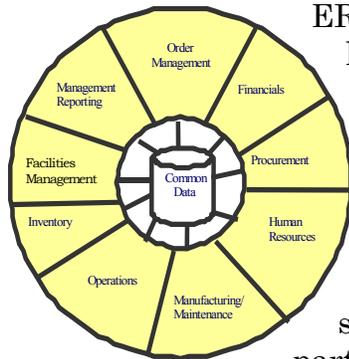
Finally, the Navy-Marine Corps Intranet (NMCI), well on its way to full implementation, and Information Technology (IT) Portfolio Management provide the information technology infrastructure for business systems transition.

**Framework: Business Enterprise Architecture (BEA).** The DoD Business Management Modernization Program (BMMP) continues to evolve, providing the framework within which business processes will operate. The primary product of the BMMP is its architecture, or BEA. The BEA is a set of rules, standards, and principles which will guide selection of future business systems that provide internal controls and support interoperable processes. The BEA emulates best private sector practices and consequently will encourage use of commercial off-the-shelf (COTS) software.

### Cornerstone: Navy Enterprise Resource Planning (ERP) Program.

BMMP encompasses many distinct business segments, processes, and applications. Within the Navy, we will implement BEA through

ERP as our primary long-term vehicle. Navy ERP is the key enabler of the Sea Enterprise vision to transform business processes and generate efficiencies to improve our combat capabilities. ERP is a COTS management system integrating business functional areas across an organization. ERP fosters elimination of redundant legacy systems and the streamlining of business processes. All essential data is entered into an ERP system once and remains accessible to all process participants on a real-time basis; providing consistent, complete, relevant, timely, and accurate information for decision-making.



The Department of the Navy used four pilot programs to explore ERP's effectiveness. Once operational, the pilots proved ERP can support the Navy's business operations within program management, financial management, supply chain management, and maintenance. Given the success of these pilots, the Department directed the fusion of the four pilots into a single system, the Converged ERP (C-ERP). C-ERP will integrate and improve processes for logistics, acquisition, and financial operations. To do this, C-ERP will develop a template for implementation broadly across the Navy. The first release of C-ERP is planned for 2006.

**Transition Tool: Functional Area Management (FAM).** In addition to Navy C-ERP, and to better manage our interim efforts while we are implementing it, the DON has embraced portfolio management as a tool to optimally transform our systems. The Department's Chief Information Officer is utilizing the FAM construct along with the IT portfolio management tool as the mechanism to select the optimal mix of IT investments in achieving required capabilities. To illustrate, several diverse data repositories are being consolidated into a single, authoritative source of IT systems and application data, namely the DON Application and Database Management Systems (DADMS). Of note, in deciding to establish a similar authoritative repository for the entire DoD, DADMS was selected as the vehicle and now supports the Defense Information Technology Portfolio Repository.



Functional Area Managers (FAMs) have been assigned in both the Navy and Marine Corps and are at the hub of the information technology capital planning

process. Specifically, FAMs are tasked with tallying the inventory of systems and reducing redundancy. FAMs will use the BEA and the future C-ERP deployment to develop the Department's legacy systems transition plan. With the establishment of the Assistant Chief of Naval Operations for Information Technology (ACNO IT) efforts in establishing portfolio management ensure a comprehensive, coordinated IT enterprise strategy Navy-wide. The Director, Marine Corps Business Enterprise facilitates the Marine Corps' transition towards a more comprehensive and integrated business process and systems strategy.

**Integrated Game Plan: DON Financial Improvement Plan (FIP).** Even as we transform all business processes for long-term installation across the enterprise, we are clearly focused on continuing near-term improvements in the financial management area. The DON FIP will integrate elements of the initiatives described above. As business processes are transformed, the FIP will validate that processes are ready for audit, leveraging the best commercial practices embedded in the software and documenting all business processes - ensuring that acceptable controls are in place. The Chief Financial Officers (CFO) Act of 1990, as amended by the Government Reform Act of 1994, requires executive agencies to produce audited financial statements complying with accepted standards.

To comply, DoD must achieve an unqualified ("clean") opinion. DON, working with the Office of the Undersecretary of the Defense (Comptroller), has completed its FIP, which in turn has been incorporated into the DoD Financial Improvement Initiative. The FIP is the vehicle that will prepare DON for audit. A clean audit opinion ultimately validates the integrity and accuracy of our financial information - one desired outcome of DON Business Process Transformation.

**Navy Marine Corps Intranet (NMCI):** All of our business transformation objectives require a reliable, modern, interoperable infrastructure to be successful. NMCI offers the opportunity for the Department of the Navy to leverage new technologies and industry innovation to better achieve our global naval mission. It will enable connection to the national infrastructure, extend sharing and creation of knowledge and expertise worldwide, empower innovative work and training, and enhance the quality of service for every Marine, Sailor, and civilian. The connectivity NMCI provides will enable our people to increase their productivity and access all the resources that extend throughout the naval enterprise and our Nation. NMCI has also been a forcing function causing the Department to take inventory of its legacy



application portfolio, which has subsequently been reduced by 88%. The NMCI contract was awarded in October 2000 for \$6.9 billion and represents the largest service contract ever awarded by the Department of Defense. Congress authorized a two-year extension of the basic five-year contract in September 2002. We have fully accommodated the implementation of the NMCI within existing budget totals and reflected the distributed costs and benefits throughout the operational programs of the Department.

The budget supports total NMCI-specific costs for FY 2006 of \$1.6 billion and implementation of approximately 346,000 seats, with a steady state to be reached during FY 2006. As of January 2005, the Navy had placed orders for 338,000 seats and cut over approximately 237,000 seats.

In summary, the goal of DON's Business Process Transformation is to provide reliable, accurate, and timely business intelligence, supporting resource efficiency and sound business decisions. It will involve building a modern, integrated, automated environment within the DoD architecture, using Navy's ERP as the cornerstone. We will streamline our legacy systems inventory using portfolio management within the FAMs, controlling investments in information technology. Ultimately, a clean audit opinion will validate the transformation's success.

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## ***MILITARY CONSTRUCTION***

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The Department of the Navy's facility investment strategy focuses on recapitalizing inadequate and inefficient facilities, constructing new facilities to improve the quality of life of our Sailors and Marines, enhance anti-terrorism and force protection, and correct critical deficiencies and support new mission requirements. The FY 2006/FY 2007 budget requests 52 and 68 military construction projects in FY 2006 and FY 2007, respectively, for the active Navy and Marine Corps; and, five and seven military construction projects in FY 2006 and FY 2007, respectively, for the Navy and Marine Corps reserves. Financing a portion of the FY 2006 request with prior year appropriations has allowed the Department to purchase additional projects and meet the key goals that underlie the Department's strategy. The FY 2006/FY 2007 budget request achieves the Department's key goals as follows:



**The FY 2006/FY 2007 budget provides state of the art facilities to meet new and critical mission requirements:**

- Strategic Warfighting Training, Analysis, Simulation and Decision Support, Pearl Harbor, Hawaii
- V-22 Maintenance Facilities, Cherry Point, NC
- MMA Technical Support Facilities, Patuxent River, MD
- Presidential Helicopter Support Facilities, Patuxent River, MD, Quantico, VA, and VARLOCS
- Assault Breacher Vehicle, Camp Pendleton, CA and Camp Lejeune, NC
- H-60 Series Helicopter Training and Maintenance Facilities, Mayport, FL; Norfolk, VA; Jacksonville, FL
- F/A-18 E/F Hangar and Flight Line Upgrades, Virginia Beach, VA, Cherry Point, NC (FY 2007)
- SSGN Improvements, Marianas Finegayan, Guam; Bangor, WA
- Marine Corps training facilities and armories, Cherry Point, NC; Camp Lejeune, NC; Camp Pendleton, CA (FY 2007); Quantico, VA (FY 2007), and Miramar, CA (FY 2007).



**The FY 2006/FY 2007 budget provides improved Anti-Terrorism/Force Protection for our Sailors and Marines at:**

- Silverdale, WA
- Camp Pendleton, CA
- New River, NC
- King's Bay, GA (FY 2007)
- Miramar, CA (one project, FY 2007)

**The FY 2006/FY 2007 budget request achieves several of the Department's key Quality of Life goals:**

- The Department continues its efforts to provide quality housing for single Sailors and Marines through the use of public private ventures (PPV), investments in military construction, and a stable basic housing allowance. The Department achieves the goal of housing sailors ashore with the construction of specifically identified "Homeport Ashore" bachelor housing projects through FY 2008. In FY 2006, these projects include:
  - Mayport, FL
  - Everett, WA
  - Coronado (North Island), CA (PPV)
  - Bremerton, WA - Included in the FY 2005 President's Budget as a traditional MILCON project (2 increments), this project has been selected as the third barracks privatization pilot project, using FY 2005

MILCON funds as seed money. The FY 2006 funds have been used to purchase the additional Homeport Ashore projects.

- The Department has made significant improvements in the quality of Marine housing through the construction of modern BEQs and student housing at Camp Lejeune, NC, Camp Pendleton, CA, and Quantico, VA; and dining facilities at Camp Lejeune, NC, and Beaufort, SC (FY 2007).
- The Department achieves the goal of eliminating inadequate bachelor housing by the replacement of gang heads in bachelor quarters with private or semiprivate facilities by FY 2007 (Marine Corps achieved this goal in FY 2005).
- The Department has improved the quality of facilities available to our officer candidates and enlisted trainees through the addition of the Wesley Brown Field House, at the United States Naval Academy, Annapolis, MD, two Recruit Training Barracks projects and a major infrastructure upgrade at Great Lakes, IL, and a Physical Fitness Center at Camp Pendleton, CA (FY 2007).

**The Department continues its ambitious waterfront and airfield recapitalization program at:** at Yuma, AZ; Colts Neck, NJ; Little Creek, VA; Norfolk, VA; Portsmouth, VA; Quantico, VA; and El Centro, CA in FY 2006; and Yuma, AZ, China Lake, CA, Camp Pendleton, CA, Lemoore, CA, Coronado (North Island), CA, San Diego, CA, Twenty-Nine Palms, CA, Key West, FL, Cherry Point, NC, Kingsville, TX, Norfolk, VA, Portsmouth, VA, and Whidbey Island, WA in FY 2007.

The FY 2006/FY 2007 budget also continues or completes six incremental projects begun in prior years. These include:

- VXX Presidential Helicopter Programs Test/Support and Maintenance Facilities, NAS Patuxent River, MD and MCAF Quantico, VA
- F/A-18 Outlying Landing Field, Washington Cty, NC
- Hangar Recapitalization, El Centro, CA
- General Purpose Berthing Pier Replacement (Inc III), NWS Earle, Colts Neck, NJ
- Pier 11 Replacement (Inc III), NS Norfolk, VA
- Limited Area Production and Storage Complex (Inc II), Strategic Weapons Facility Pacific, Silverdale, WA



FY 2006/FY 2007 MILCON Summary (Active & Reserve)				
\$M	FY 2004	FY 2005	FY 2006	FY 2007
Navy	992	961	956	1,075
Navy Financed w/ Prior Year Funds	-	-	-76	-
Marine Corps	321	292	211	337
Marine Corps Financed w/ Prior Year Funds	-	-	-16	-
<b>Total</b>	<b>\$1,313</b>	<b>\$1,253</b>	<b>\$1,074</b>	<b>\$1,412</b>

Note: Totals may not add due to rounding.

## ***FAMILY HOUSING***

The FY 2006/FY 2007 budget request continues on course to eliminate inadequate units by FY 2007 through a three-pronged strategy consisting of privatization of housing, improved housing allowances, and construction. Though funding decreases from FY 2005 levels, the Department achieves the goal of zero inadequate family housing units by FY 2007. Performance expectations for family housing are reflected in Chart 13.

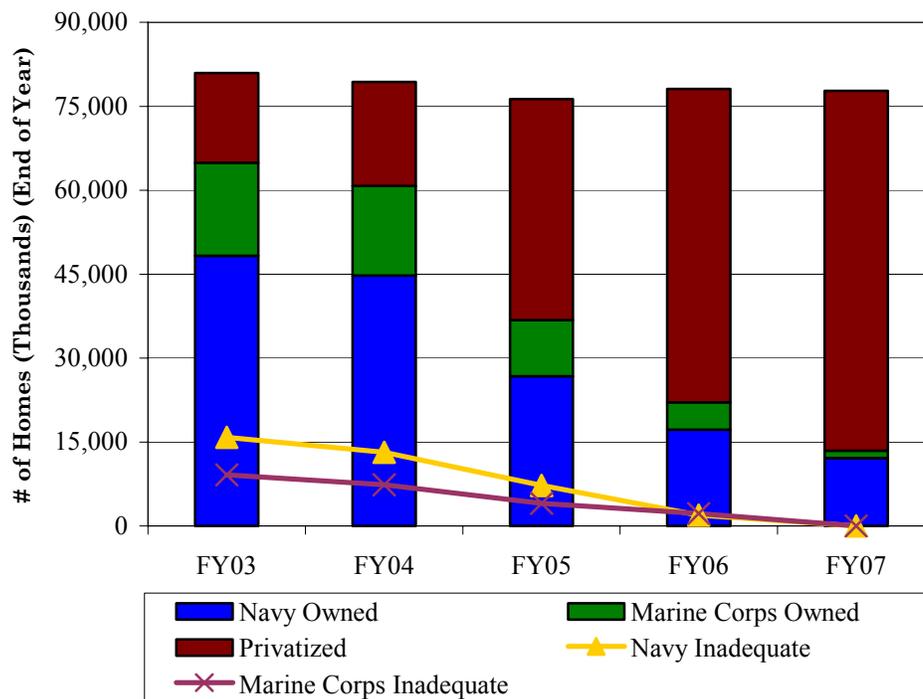
For the Navy there is a \$43.5 million (\$3.2 million forward-financed) replacement project planned for Guam, Marianas Islands addressing 126 units. Also, there is \$66.3 million planned in improvements construction at Guam, Marianas Islands, and Atsugi & Yokosuka, Japan addressing 396 inadequate units. In addition, PPV awards are planned in the Southeast Region, Hawaii Region, and San Diego, correcting 4,777 inadequate units. In addition to government financing, we estimate the private sector will contribute over \$1.3 billion worth of development capital for these PPV projects in FY 2006.



For the Marine Corps, there is over \$112 million budgeted for privatization projects. Privatization of 5,138 homes, eliminating 1,804 inadequate units and constructing 587 deficit-reduction units, is planned at Marine Corps Base Camp Lejeune and Marine Corps Air Station Cherry Point in North Carolina; Marine Corps Base Camp Pendleton, California; and Marine Corps Base Hawaii with an “end-state” of 5,454 units. In addition to government financing, we estimate the private sector will contribute over \$0.3 billion worth of development capital for these PPV projects in FY 2006.

<b>Family Housing Units</b>				
	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
New construction projects	4	-	1	2
Construction units	1,045	-	126	242
Privatization projects/units	2,541	20,891	16,495	8,357
Average # of units (Worldwide)	63,048	51,455	33,265	22,049

**Chart 13 - Family Housing End of Year Inventories**



## ***FACILITY SUSTAINMENT, RESTORATION, AND MODERNIZATION***

Appropriate investments of facility sustainment, recapitalization, and demolition funds are designed to maintain an inventory of facilities in good working order and preclude premature degradation. The annual facility sustainment requirement, determined by the Department of Defense’s facilities sustainment model, is calculated by applying both a unit sustainment cost (based upon industry facility standards) and a geographic area cost factor to the appropriate unit quantity (square feet, linear feet, etc.). The DoD goal is to have no more than five percent deferred sustainment through FY 2007, and then to fund sustainment at 100 percent of requirement beginning in FY 2008. The Department of the Navy achieves this sustainment goal.



The Department utilizes an industry-based facility investment model to keep the facility inventory at an acceptable level of quantity and quality through life-cycle maintenance, repair, and disposal. Facility recapitalization (based upon

industry facility standards) occurs through restoring or modernizing aged and damaged facilities. The annual funding requirement for facilities restoration and modernization (R&M) is based on the Department of Defense (DoD) goal of correcting facilities deficiencies to achieve a C-2 readiness rating in all facilities mission areas by FY 2010 and to achieve a recapitalization rate of 67 years by 2008. Readiness ratings (C-1, C-2, etc.) are described in the Installations' Readiness Report. While the Department's goal is to fully fund the requirement for replacement and R&M, competing priorities have led to the decision that a level of risk was acceptable in this area. Thus, the FY 2006/FY 2007 budget does not meet the DoD goal.

Table 17 summarizes the Department's Facility Sustainment, Restoration, and Modernization program.

**Table 17**  
**Department of the Navy**  
**Facility Sustainment, Restoration, and Modernization**  
*(In Millions of Dollars)*

	FY 2004	FY 2005	FY 2006	FY 2007
Navy	1,032	1,265	1,328	1,309
Marine Corps	532	508	533	544
<b>Total DON Facility Sustainment (All Appns)</b>	<b>\$1,564</b>	<b>\$1,773</b>	<b>\$1,861</b>	<b>\$1,853</b>
<u>Annual Unfunded Sustainment</u>				
Navy	335	56	71	70
% of Model Funded (Goal is 95% through 2007)	75%	95%	95%	95%
Marine Corps	21	26	28	28
% of Model Funded (Goal is 95% through 2007)	96%	95%	95%	95%
<b>Total Unfunded Sustainment</b>	<b>\$356</b>	<b>\$82</b>	<b>\$99</b>	<b>\$98</b>
<u>Restoration and Modernization (R&amp;M) Funding</u>				
Navy	971	980	1,051	1,237
Marine Corps	215	294	241	354
<b>Total DON R&amp;M (All Appns)</b>	<b>\$1,187</b>	<b>\$1,275</b>	<b>\$1,292</b>	<b>\$1,591</b>
Facilities Recapitalization Rate (Navy)	103	104	98	85
Facilities Recapitalization Rate (Marine Corps)	109	82	103	72

Note: Totals may not add due to rounding.

**Also refer to Appendix A for more information:**

Military Construction, Navy and Naval Reserve  
Family Housing, Navy and Marine Corps  
Base Realignment and Closure Accounts

**Table**

A-18  
A-19  
A-20

**BASE REALIGNMENT AND CLOSURE (BRAC)**

The BRAC process has been a major tool for reducing the domestic base structure and generating savings. Continuing to balance the Department’s force and base structures by eliminating unnecessary infrastructure is critical to preserving future readiness.

The FY 2006/FY 2007 budget emphasizes the Department’s commitment to environmental compliance and restoration, while also fulfilling real estate and caretaker functions prior to property disposal at BRAC sites from the four prior BRAC rounds and Naval Station Roosevelt Roads. Due to disposal/conveyance of property at the former Naval Air Station, Adak, Alaska in FY 2004, the Department of the Navy expects to have less than 8,000 acres left to dispose of by the end of FY 2005.

The FY 2006 budget also finances critical regulatory efforts, while employing revenue from the sale of property at the former Marine Corps Air Station, El Toro, CA; to accelerate environmental cleanup at Marine Corps Air Station Tustin, CA; Marine Corps Air Station El Toro, CA; Naval Air Station Moffet Field, CA; Naval Air Station Alameda, CA; Hunters Point Naval Shipyard, CA; Naval Station Treasure Island, CA; Naval Shipyard, Mare Island, CA, and other BRAC locations.

The Department began administrative preparations for BRAC 2005, which will focus on elimination of excess physical capacity. The DON has established an Independent Analysis Team (IAT) and a program management office (PMO) comprised of experienced personnel. IAT accomplishments include contributions in developing Secretary of Defense (SECDEF) installation selection criteria, force structure plan, and infrastructure inventory. PMO accomplishments include cooperative agreements to ensure oversight, streamline the process, and consolidate accountability within the Department. In 2005, the critical dates for the BRAC process are:

- Presidential Commissioner nominations 15 March
- SECDEF recommendations for closure or realignment 16 May
- Final Commission report 8 September
- Presidential approval or disapproval 7 November
- Congressional disapproval (only if applicable) 21 December

Our budget request does not reflect specific BRAC 2005 outcomes. However, \$30 million is budgeted in FY 2007 for BRAC-related global posture studies.

**Also refer to Appendix A for more information:**  
Base Realignment and Closure Accounts

**Table**  
A-20

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## ***NAVY WORKING CAPITAL FUND (NWCF)***

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In FY 2006 and FY 2007, NWCF activities will continue to play a significant role in the Department's operations, and in the reconstitution of its equipment and supplies used in support of the Global War on Terrorism. The total cost of goods and services to be delivered by NWCF activity groups to their customers in FY 2006 and FY 2007 is projected to exceed \$26 billion. NWCF activity groups include Supply Management, Depot Maintenance, Research & Development, Base Support and Transportation.

In the area of supply management, the Department continues to focus on delivering combat capability through logistics support. Ensuring the right material is provided at the proper place, time and cost is vital to equipping and sustaining our warfighting units. To this end, the Department continues to pursue initiatives to control costs and improve readiness. Until we recapitalize and modernize our forces in volume, our older weapon systems combined with higher utilization rates, will continue to generate increased demand for spare parts. This is one reason the Department's request for material obligation authority remains high.



Spare parts are a single element within a complex and intricately balanced system to keep weapon systems safe and operating at optimal capacity. Towards this goal, the Department needs more robust information systems to collect, process, and share data from other integrated logistics support elements, such as training and maintenance. Hence, the Department continues to fund the Converged Enterprise Resource Planning initiative, which will provide better tools to assess program costs and implement cost reducing procedures. These efforts, along with reducing weapon systems average age, will stem spare parts demand growth and allow the Department to provide improved logistics support at lower cost.

The Marine Corps Depots have experienced a large influx of unplanned workload for performance in FY 2004 and FY 2005. This is largely due to repair of combat-damaged equipment and weapons systems, and the installation of armor plating on combat vehicles. The workload is projected to level off by FY 2006, but operational contingencies could further extend this period of increased effort.

For the Base Support area, FY 2006 is expected to include the addition of 28 new Public Works Center (PWC) detachments across the Continental United States. These sites are currently independent public works departments under the control of different regional commands. The consolidation of these organizations

as PWC detachments is expected to help reduce operating costs and standardize delivery of the various utility commodities and other products.

Increased force protection requirements for vessels operated by the Military Sealift Command following the attacks of September 11, 2001, were initially financed with Supplemental appropriations, but will now be incorporated in FY 2006/FY 2007 rates to reflect projected ongoing force protection requirements.

Lastly, the Department projects its NWCF cash balance to remain below the minimum seven-day level prescribed in the DoD Financial Management Regulation throughout the FY 2005-2007 period. Supplemental funds will be necessary to sustain minimum levels and remain solvent. The decline in the NWCF cash balance is not due to net operating losses but directly attributable to the cumulative effect of directed transfers. To ensure uninterrupted support of naval forces supporting the Global War on Terrorism and other operations, it may be necessary to judiciously invoke advance billing authority contained in 10 USC 2208, Working Capital Funds. The Department will expeditiously notify the Congress in the event that this occurs.

**Table 18**  
**Department of the Navy**  
**Summary of NWCF Costs**  
(In Millions of Dollars)

	FY 2004	FY 2005	FY 2006	FY 2007
<b>COST</b>				
Supply (Obligations)	5,587	7,474	7,993	8,211
Depot Maintenance - Aircraft	2,210	2,134	2,158	2,202
Depot Maintenance - Ships	2,309	1,569	1,610	1,519
Depot Maintenance - Marine Corps	312	280	257	207
Transportation	1,777	1,981	2,033	2,022
Research and Development	10,296	10,047	10,287	10,258
Base Support	1,581	1,721	2,091	2,149
<b>TOTAL</b>	<b>\$24,073</b>	<b>\$25,205</b>	<b>\$26,429</b>	<b>\$26,570</b>
<b>CAPITAL INVESTMENT</b>				
Supply	50	15	15	15
Depot Maintenance - Aircraft	41	42	42	42
Depot Maintenance - Ships	21	27	25	26
Depot Maintenance - Marine Corps	4	4	5	5
Transportation	13	15	28	29
Research and Development	112	116	117	113
Base Support	19	19	18	17
<b>TOTAL</b>	<b>\$259</b>	<b>\$238</b>	<b>\$249</b>	<b>\$246</b>

Note: Totals may not add due to rounding.

## ***Managing Risk - Performance Metrics***

The FY 2006/FY 2007 budget consolidates Strategic Planning Guidance objectives and performance management goals of the President's Management Agenda with the 2001 Quadrennial Defense Review goals under a balanced scorecard for risk management and designates metrics the Department of Defense (DoD) will use to track associated performance results. The cascading performance metrics/outcomes for each DoD risk area are shown below:

<b>FORCE MANAGEMENT RISK</b>		<b>OPERATIONAL RISK</b>	
Maintain a Quality Force	Ensure Sustainable Military Tempo and Workforce Satisfaction	Ensuring Force Availability	Maintaining Force Readiness
Maintain Reasonable Force Costs	Shape the Force of the Future	Shaping Force Posture	Linking Contingency Planning to Capabilities and Resources
<b>INSTITUTIONAL RISK</b>		<b>FUTURE CHALLENGES RISK</b>	
Institutionalizing Capabilities-Based Planning, Improving Financial Management, and Driving Acquisition Excellence	Improve the Readiness and Quality of Key Facilities	Drive Innovative Joint Operations	Define Human Capital Skills and Competencies
Manage Overhead/ Indirect Cost	Realign Support to the Warfighter	Develop More Effective Organizations	Define and Develop Transformational Capabilities

Performance information developed from these metrics will be used to describe the Department's performance goals and results for all related performance reports, including the President's Management Agenda and the Program Assessment Review Tool. The budget reflects a balance among the four risk areas.

**Force Management Risk - providing a trained and ready force is the leading output or business of the Department of Defense; unlike many other investments the Department makes, investments in our people--military and civilian--appreciate in value over time.**

The Department is reducing risk by continuing ongoing efforts to improve force management and reduce stress on the force. One of our most valued resources is

the people that support the Navy and Marine Corps team. The Navy and Marine Corps continue to maintain a robust overseas presence and rotational posture in support of the defense strategy. Sailors and Marines are based forward and deploy as part of their inherent responsibilities. They join and re-enlist with the understanding that this is part and parcel of their commitment to serve. The Navy has budgeted for fewer military strength in FY 2006 and is confident that this budget supports proper sizing of force and all assigned missions can be accomplished with this level as a result of force structure changes, efficiencies gained through technology, altering the workforce mix, and new manning practices. The Department continues to explore new manning practices and workforce balance options, including military to civilian conversions. The Department of the Navy continues to focus on recruiting and retaining the right people, and we are encouraged by achievement of these recruiting goals and improved retention in the career force. Training our Sailors, Marines, and civilian employees is critical to implementing transformation initiatives and to ensuring optimum results. The Department is transitioning its training concepts and methods from the traditional schoolhouse approach to processes that involve the use of simulators, trainers, computer-based interactive curriculums and other approaches that are media based. We have piloted elements of the Sea Warrior initiative as a means to capitalize on the revolution of training in detailing.

The National Security Personnel System (NSPS) authorized by Congress provides DoD leaders the right tools to manage the civilian workforce today and for the future. The NSPS reforms will provide supervisors and managers greater flexibility in managing our civil service employees, facilitate competition for high quality talent, offer compensation competitive with the private sector, and reward outstanding service. The DON will prominently participate in the first wave of conversions to NSPS, and we will work closely within DoD to ensure we meet this aggressive timeline.

**Operational Risk - ensuring U.S. military and civilian personnel are ready at all times to accomplish the range of missions assigned in the defense strategy is the leading defense customer priority.**

The Department is reducing risk by emphasizing capabilities that better address irregular, catastrophic and disruptive challenges. This includes winning the Global War on Terrorism, enhancing capabilities to conduct stability operations, and improving homeland defense. The power of our combat capability has been strong in the areas of forward presence forces and our ability to surge. Key readiness accounts are funded to ensure that our forces are prepared to meet any tasking and sized to support the "6+2" surge plan. The Fleet Response Plan yields an increased surge capability and a more responsive force. Deployed air/ship/Marine Expeditionary Force operations are budgeted to maintain highly ready forces. Non-deployed OPTEMPO levels provide primarily training of fleet

units but maintain a combat ready and rapidly deployable force. This budget request incorporates force structure changes that clearly reflect the wider range of operations and contingencies called for in the defense strategy. This budget reflects decommissioning of some older ships and aircraft with high operations and support costs relative to the combat capability they provide. Funding continues for the 4th Marine Expeditionary Brigade (AT) to detect, deter, defend, and conduct initial incident response to combat the threat of terrorism and continues the fielding of improved combat equipment.

**Future Challenges Risk - anticipating future threats and adjusting capabilities to maintain a military advantage against them is the leading learning and growth priority for the Department of Defense.**

The Department is balancing risk by moving through a generational shift in our weapons acquisition programs. FY 2005 DDGs are planned to be our last buy of ships in service today. FY 2006 will be a transformational year as the Department continues the shift to next generation warships. Transformation is most apparent in FY 2006 where new construction is limited to four ships as we focus on shifting to next generation surface combatants and sea basing capabilities. The total number of new ships procured over the FYDP is 49, averaging 8.2 ships per year including DD(X), the Littoral Combat Ship (LCS), VIRGINIA Class SSN, CVN-21, MPF(F), LPD-17, and LHA(R). The budget also reflects a shift from R&D to production in a number of critical aviation programs, such as EA-18G and unmanned aerial vehicles (UAVs). Including the aircraft funded with RDT&E,N, the number of aircraft requested increases from 115 in FY 2005 to 138 in FY 2006. This includes the first four EA-18G aircraft, five VXX helicopters, and three Firescout UAVs. The budget continues to maximize the return on procurement dollars, primarily through the use of multi-year procurement for the F/A-18E/F and EA-18G, the E-2C, the MH-60S, and the KC-130J programs. Funding continues for development of FORCEnet, an architecture that will integrate sensors, networks, decision aids, and weapons into an adaptive human control maritime system in order to achieve dominance across all warfare systems. The Department is maintaining a steady investment while seeking to maximize the yield relevance and degree of innovation in the overall Science and Technology program.

**Institutional Risk - ensuring that DoD financial, acquisition, and resource management processes are streamlined and efficient is what drives the underlying financial principles of doing defense business; just as the Department transforms its operational capabilities, it must also reform its underlying support structures to be more efficient and exploit creative technology solutions.**

The Department is reducing risk by emphasizing implementation of capabilities-based planning. This budget request represents the Department's commitment

to improve the acquisition processes, make facility structure more efficient, and better manage resources for improved business. In an effort to improve shore installation effectiveness, the Navy has identified best business practices, set Navy-wide standards of service, developed metrics, and linked standards and metrics to required readiness levels. We continue to work within the Business Management Modernization Program to transform business processes and develop integrated enterprise solutions. The Navy Marine Corps Intranet and Converged Enterprise Resource Planning are examples of innovative changes that will significantly improve connectivity, financial and business reporting, and management performance. As a Department, we continue to aggressively challenge our Systems Commands and other shore activities to improve processes, find efficiencies, and eliminate legacy information systems.

The information below provides page references to the performance information contained in this document and in detailed budget justification materials supporting the FY 2006/FY 2007 budget submission.

<b>Risk Category</b>	<b>Strategic Goal</b>	<b>Performance Measure</b>	<b>Page #</b>
<b>Force Management Risk</b>	Maintain a Quality Force	Number of Recruiters	3-3, 3-6
		Number of Recruits	3-3, 3-6
		Size of Delayed Entry Program	3-3, 3-6
		Enlisted Attrition Rates	3-4, 3-7
	Ensure Sustainable Military Tempo	Ships Deployed	2-7
		MEUs deployed	2-7
		Ships Underway	2-7
		MEUs predeployment	2-7
		Active/Reserve Navy/Marine Corps Strength	3-3, 3-4, 3-5, 3-7, 3-8
		# of Reserves Activated	2-7
		# of Deployed Sailors	2-7
	Maintain Workforce Satisfaction	PERSTEMPO	3-2
		Enlisted Reenlistment Rates	3-4, 3-7
		Career Pay Enhancements	3-2
	Maintain Reasonable Force Costs	Competitive sourcing study positions	3-10
		Civilian manpower levels	3-9, 3-11
		Costs for Accession/Basic Skills/Advanced Training	3-2
		Total Paid Compensation	3-1
	Shape the Force of the Future	Implement optimized, supportable future force structure and workforce	3-2

<b>Institutional Risk</b>	Streamline Decision Processes, Drive Financial Management and Acquisition Excellence	Implement Enterprise Resource Planning	4-2
		DON Financial Improvement Plan (DON FIP)	4-3
		Number of Navy Marine Corps Intranet Seats	4-3
	Manage Overhead and Indirect Costs	Reduction in base structure to eliminate unnecessary infrastructure	4-10
	Improve the Readiness and Quality of Key Facilities	67 Year FSRM Recapitalization Rate	4-9
		Reliability & Maintainability Shortfall	4-9
		Inadequate family housing units	4-7, 4-8
		Number of Privatization Projects	4-7
	Realign Support to the Warfighter (including Defense Agencies)	Readiness status of facilities	4-8, 4-9
		Tooth-to-Tail Ratio	1-4
	<b>Operational Risk</b>	Do We Have the Forces Available?	Battle Force Ships
Active Air Wings			2-15
Active Primary Authorized Aircraft (PAA)			2-15
Number of Marine Expeditionary Forces			2-21
Number of Marine Expeditionary Brigades			2-21
Number of Marine Battalions			2-21
Are They Currently Ready?		Navy/Marine Corps Personnel Readiness Ratings	3-2, 3-6
		Active Flying Hours T-Rating	2-17
		Active Steaming Days Per Quarter	2-9
What Are Our Critical Force, Sustainment, and Infrastructure Needs?		Aircraft Mission Capable Rates	2-18
		Airframe Availability/PAA	2-19
		Aircraft Engine Bare Firewalls	2-19
		Aircraft Engine Spares Ready-to-Issue	2-19
		Ship Maintenance % Rqmnt Funded	2-13
		Surge Sealift Ships and Capacity	2-11
		Prepositioning Ships and Capacity	2-11
		Reserve Steaming Days Per Quarter	2-10
		Reserve Battle Force Ships	2-10
		Reserve Air Wings	2-15
		Reserve Flying Hours T-Rating	2-17
Reserve Primary Authorized Aircraft		2-15	
Are We Successfully Executing our Strategy?		Deferred Ship Maintenance	2-13
		Deferred FSRM	4-9
		Ships Deployed	2-7
		MEUs deployed	2-7
		Ships Underway	2-7
		MEUs predeployment	2-7
Active/Reserve Navy/Marine Corps Strength	3-3, 3-4, 3-5, 3-7, 3-8		



<b>Future Challenges Risk</b>	Drive Innovative Joint Operations	Joint/International Exercises	2-7
	Develop More Effective Organizations	Capitalizing on innovation, experimentation, and technology	5-1
	Define Skills and Competencies for the Future	Implementing Sea Warrior Initiative	3-2
	Define and Develop Transformational Capabilities	Implement enhanced naval capabilities to project offense, project defense, and project sovereignty around the globe	1-3
		Aviation Procurement Plan	5-7
		Ship Construction Plan	5-3
		Aviation/Ship Weapons Quantities	5-4, 5-8
		Marine Corps Ground Equipment Quantities	5-13
		Implement network centric warfare	5-10, 5-11
		Major Platform R&D	5-16
		Maintain Balanced and Focused Science and Technology	5-16
		Funding for R&D support	5-16

## Other Performance Metrics

Throughout the overview book metrics have been addressed which are included in our performance plan and provide a measure of our overall effectiveness. Within the Department of the Navy, goals and objectives have been implemented through the Planning, Programming, Budgeting, and Execution System (PPBES) process. PPBES accommodates the integration of operational goals, risk management, and performance across the broad spectrum of Department of the Navy missions. These metrics are also contained in budget justification materials supporting the FY 2006/FY 2007 budget request as directed by Congress.



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## ***SECTION V - CHANGING THE WAY WE FIGHT***

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The Department is maintaining steady investment and continuing to acquire transformational capabilities. Every ship in the FY 2006 program is a new design. From platforms now beginning delivery, like Virginia Class SSN and LPD-17, to those beginning construction like LCS and those in design like CVN-21, our future Navy will consist of ships with capabilities that provide us with more speed, persistence, precision, and reach. Similarly, we are producing seven new aircraft designs. The aircraft procurement plan emphasizes replacing legacy platforms that are becoming increasingly costly to operate with more efficient and capable integrated systems. This is a sweeping shift to newer, more capable platforms, outfitted with more capable systems.

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### ***SHIP PROGRAMS***

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#### ***Surface Programs***

The Department's FY 2006/FY 2007 budget continues to address acquisition, modernization, and recapitalization of the world's preeminent surface fleet. Continuing to integrate emerging technologies, the Navy will ensure that tomorrow's fleet will remain on the cutting edge. FY 2006 will continue the shift to next generation warships.

CVN-21 will be the future centerpiece of the carrier strike group. It will have a new electrical generation and distribution system, an electromagnetic aircraft launching system, a new/enlarged flight deck, weapons, and material handling improvements, and a smaller crew (by at least 500). The budget continues advance procurement funding for construction of CVN-21, which starts in FY 2008.



DD(X) will play a key role in the *Sea Power 21* strategic concept. Winning the fight requires the ability to assure access and enable maneuver warfare. DD(X) will be a multi-mission surface combatant and will be the precision strike and volume fires provider within the family of surface combatants. It will provide credible forward presence while operating independently or as an integral part of naval, joint, or combined expeditionary forces. Armed

with an array of land attack weapons, DD(X) will provide offensive, distributed, and precision firepower at long ranges in support of forces ashore. Advance procurement funding is provided in FY 2006 to support a lead ship detail design and construction contract award in FY 2007.

Another critical component of *Sea Power 21* is the Littoral Combat Ship (LCS). LCS is envisioned to be a fast, agile, stealthy, relatively small, and affordable surface combatant capable of operating against anti-access, asymmetric threats in the littorals. The primary mission areas of LCS are small boat prosecution, mine counter measures, shallow water anti-submarine warfare, intelligence, surveillance, and reconnaissance. Secondary missions include homeland defense, maritime intercept, and special operations forces support. It will operate in environments where it is impractical to employ larger multi-mission ships. LCS final system design contracts were competitively awarded to two teams in FY 2004. The detail design and construction of the first LCS flight 0 ship will commence in FY 2005, and the second ship will start in FY 2006. Procurement of three mission packages is also planned in FY 2006.



The Guided Missile Cruiser (CG-47) modernization program was restructured for FY 2006 in accordance with congressional direction. Under the restructured plan, the older Baseline 2 and 3 ships will be modernized first. Funding begins in FY 2006 for long leadtime procurements for the first Baseline 2 modernization availability in FY 2008.

The FY 2006 budget provides full funding for LPD-24, the eighth ship of the LPD-17 class and includes the final increment of funding needed to complete LHD-8. It also includes \$150 million in advance procurement funding for the Landing Helicopter Assault Replacement Ship (LHA(R)). Flight 0 is planned for procurement in FY 2007, and additional funding is planned for RDTEN efforts in support of a LHA(R) Flight 1 procurement in FY 2010.



The Landing Craft Air Cushioned modernization program continues with a service life extension for six craft in FY 2006. The budget request includes RDTEN funding in FY 2006 for transformational Sea Base to Shore, Intratheater, and Intertheater connectors to support Seabasing.

The budget provides for procurement of one Auxiliary Cargo and Ammunition Ship (T-AKE) in the National Defense Sealift Fund (NDSF). This will be the

ninth ship of the class. The NDSF budget also includes funding for the development of the FY 2009 Maritime Preposition Force (Future) ship, and the FY 2009 T-AOE(X) fast combat support ship.

The FY 2006/FY 2007 budget also provides funds for the CVN 70 Refueling Complex Overhaul and one SSBN Engineered Refueling Overhaul.

Chart 14 displays shipbuilding quantities for FY 2005 to FY 2011.

### Chart 14 - Shipbuilding Programs

	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY06-11
CVN 21	-	-	-	1	-	-	-	1
SSN 774	1	1	1	1	1	1	1	6
DDG 51	3	-	-	-	-	-	-	-
DD(X)	-	-	1	1	1	1	1	5
CG(X)	-	-	-	-	-	-	1	1
LCS	1	1	2	3	5	5	5	21
LPD 17	1	1	1	-	-	-	-	2
LHA(R)	-	-	1	-	-	1	-	2
T-AKE	2	1	1	1	-	-	-	3
T-AOE(X)	-	-	-	-	1	1	2	4
MPP(F)	-	-	-	-	1	1	2	4
<b>New Construction</b>	<b>8</b>	<b>4</b>	<b>7</b>	<b>7</b>	<b>9</b>	<b>10</b>	<b>12</b>	<b>49</b>
Intratheater Connectors	-	-	-	-	1	1	1	3
Sea-Shore Connectors	-	-	-	-	-	1	4	5
SSBN ERO	1	1	1	1	1	1	1	6
SSN ERO	-	-	1	1	-	-	-	2
RCOH	-	1	-	-	-	1	-	2

*Funded in RD TEN*

### Submarine Programs

The Navy will continue to project power covertly with a fleet of modern SSN-688, SSGN, Seawolf, Virginia class, and Trident submarines. Their firepower, stealth, sensors, and communications equipment will enable submarines to act as force multipliers. This budget includes the continuing effort to modernize the submarine fleet with the latest technology ensuring the viability of these critical ships while, at the same time, continuing to replace aging fast attack submarines with the new Virginia class. Construction of Virginia class submarines is performed under a teaming arrangement with General Dynamics and Northrop Grumman Newport News Shipbuilding Company. FY 2006 funds the third of five submarines under a multi-year procurement contract awarded in January 2004. Approximately



\$100 million in economic order quantity advance procurement is also funded in FY 2006.

FY 2006 also includes funding to complete the SSGN program, providing covert conventional strike platforms capable of carrying 150 Tomahawk missiles. The FY 2006 budget request will convert the last of four Trident SSBNs to SSGNs.

### Ship Weapons Programs

The Standard Missile program replaces ineffective, obsolete inventories with the more capable Block IIIB missiles. The Rolling Airframe Missile (RAM) program continues procurement of the improved Guided Missile Launching System and the upgraded Block I missile, providing an enhanced guidance capability along with a helicopter, air, and surface mode. In addition to Standard Missile and RAM, the FY 2006/FY 2007 budget provides funding to continue production of the Evolved Sea Sparrow Missile (ESSM). Additionally, the Tactical Tomahawk missile continues full rate production in FY 2006/FY 2007 via multi-year procurement.



Major Weapons Quantities								
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Tactical Tomahawk	322	298	379	372	467	386	389	379
Standard Missile	75	75	75	75	75	90	100	105
RAM	90	90	90	90	90	90	90	90
ESSM	82	71	116	108	108	108	21	-

Several land attack research and development efforts critical to future littoral warfare continue in FY 2006/FY 2007, including an extended range munition, the 5"/62 gun, the Advance Gun System (AGS), the Naval Fires Control System (NFCS), and the Distributed Common Ground System (DCGS). The AGS will provide the next generation of surface combatants with a modular large caliber gun system including an automated magazine handling system. The NFCS and DCGS will use existing fire control infrastructure to serve as the nerve center for surface land attack by automating shipboard land attack battle management duties, incorporating improved land attack weapons systems, and utilizing battlefield digitization.

<u>Also refer to Appendix A for more information:</u>	<u>Table</u>
Weapons Procurement, Navy	A-11
Shipbuilding and Conversion, Navy	A-12
Procurement of Ammunition, Navy and Marine Corps	A-15
Research, Development, Test and Evaluation, Navy	A-16
National Defense Sealift Fund	A-17

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## AVIATION PROGRAMS

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### *Aircraft Programs*

The Department's FY 2006/FY 2007 budget sustains aviation superiority for the Navy and Marine Corps and emphasizes capability based investment strategies, new warfighting concepts, and enabling technologies. The budget continues to maximize the return on procurement dollars, primarily through the use of multi-year procurement contracts for the F/A-18E/F and EA-18G (both airframe and engine), E-2C, and MH-60S. The Department continues to implement the Tactical Air integration plan to reduce the number of new aircraft needed. Robust development funding is also provided for Joint Strike Fighter (JSF), MV-22, EA-18G, Multi-Mission Maritime Aircraft (MMA), Advanced Hawkeye, Joint Aerial Common Sensor (JACS), CH-53X, and Executive Transport Helicopter (VXX).



The F/A-18E/F continues to be the centerpiece of Navy combat aviation. Enhanced warfighting capability investments for the F/A-18E/F introduce a transformational radar, helmet-mounted sight, advanced targeting pod, and fully integrated weapons system. The FY 2006/FY 2007 budget includes funding for the first EA-18Gs, the follow-on to the EA-6B Electronic Attack aircraft.

The Department will continue to procure AH-1Z/UH-1Y attack and utility helicopters. These aircraft will provide numerous capability improvements for the Marine Corps, including increased payload, range, and time on station, improved sensors and lethality, and 85 percent component commonality. Both aircraft will also incorporate common, modernized, and fully integrated cockpits/avionics that will reduce operator workload, and improve situational awareness and safety.

The MH-60R and MH-60S multi-mission helicopters are the cornerstone of the Navy helicopter concept of operations and provide a continuous shield of protection for carrier strike groups and expeditionary strike groups. The MH-60S Armed Helicopter Enhancement, including Hellfire missiles, assures forward deployed force protection and small-boat/terrorist engagement capability.



The Department continues to support the legacy P-3 fleet and develop the MMA to ensure current and future maritime patrol capabilities are met. The Department continues to fund the Special Structural Inspection Kit program, which provides pre-emptive replacement of P-3 wing components and extends aircraft service life a minimum of 5,000 flight hours. Additionally, FY 2006/FY 2007 funding for MMA will help ensure the Initial Operating Capability of FY 2013 will be met.



Joint aircraft programs continue to be an important component of the naval acquisition strategy, with the JSF continuing in the Systems Development and Demonstration phase. The program has been restructured, with a delay in procurement, to ensure time to address key technology challenges. The Department has joined with Army in the Joint Aerial Common Sensor program to provide a common solution to signal intelligence requirements and to replace



the Navy's EP-3s. The joint V-22 program continues with the procurement of both the MV and CV models. The V-22 program is designed to meet the amphibious/vertical assault needs of the Marine Corps and the strike rescue needs of the Navy, and to supplement United States Special Operations Command special mission aircraft. Production is maintained at the minimum sustaining rate of 12 aircraft in FY 2006 pending completion of operational testing.

Continuing the emphasis on transformational systems, the Department has budgeted research and development funding for several aviation programs. The Advanced Hawkeye (E-2 Radar Modernization Program) is funded through the FYDP with the first production in FY 2008. A fully automated digital engine control and improved generators have been incorporated to improve performance and reliability. Additionally, the Department has included funding to support procurement of required capabilities in the fleet, such as Advanced Targeting Forward Looking Infra-Red, Joint Helmet Mounted Cueing Systems, and Tactical Aircraft Directed Infrared Countermeasure systems (TADIRCM), which the Department is developing with the Army beginning in FY 2006. TADIRCM will be used on fixed and rotary wing aircraft to defeat air-to-air, surface-to-air, and Man Portable Air Defense missiles. The development of the VXX, the replacement for the legacy Presidential helicopter fleet, continues in FY 2006/FY 2007.

Since submission of the FY 2005 President’s Budget, the strategy for the CH-53 program has evolved from extending the life of the current aircraft to developing an entirely new aircraft, the CH-53X. The RDT&E budget reflects this change with robust development funding across the FYDP.

The FY 2006/FY 2007 budget continues to demonstrate the Department’s commitment to developing, acquiring, and fielding transformational Unmanned Aerial Vehicle (UAV) technologies for intelligence, surveillance, reconnaissance, and tactical missions. The budget includes funding for the Broad Area Maritime Surveillance (BAMS) UAV, a vertical take off and landing UAV (VTUAV) for deployment on LCS ships, and a Marine Corps vertical take off and landing UAV (VUAV) to replace the aging Pioneer fleet.



Chart 15 displays the Department’s new production and remanufactured aircraft programs for FY 2005 - FY 2011.

**Chart 15 - Aircraft Programs**

	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY06-11
JSF	-	-	-	10	32	36	33	111
F/A-18E/F	42	38	30	24	20	22	14	148
EA-18G	-	4	12	18	22	20	14	90
MV-22	8	9	14	19	30	35	38	145
AH-1Z/UH-1Y	7	10	18	21	21	22	23	115
MH-60S	15	26	26	26	26	17	15	136
MH-60R	6	12	25	25	30	30	31	153
E-2C	2	2	2	4	4	4	4	20
CH-53X	-	-	-	-	-	2	2	4
MMA	-	-	-	4	-	6	8	18
ACS	-	-	1	1	1	4	5	12
C-40	1	-	1	2	1	1	1	6
C-35	2	-	-	-	-	-	-	-
C-37	2	-	-	-	-	-	1	1
T-45	10	6	12	-	-	-	-	18
JPATS	2	-	24	48	48	48	48	216
KC-130J	4	12	-	-	-	-	-	12
V-XX	3	5	-	3	4	3	4	19
BAMS UAV	-	-	-	-	-	-	4	4
VTUAV	2	3	3	5	7	11	11	40
MC VUAV	-	2	1	2	3	-	-	8
F-5E	9	9	5	-	-	-	-	14
<b>TOTAL</b>	<b>115</b>	<b>138</b>	<b>174</b>	<b>212</b>	<b>249</b>	<b>261</b>	<b>256</b>	<b>1,290</b>

*Funded in RDTEN*

Within our aircraft modifications program, we continue emphasis on safety as well as key operational improvements. The FY 2006/FY 2007 budget includes funding for procurement of the AV-8B Open System Core Avionics Requirements program to update obsolete avionics, the F/A-18 Radar Upgrade, and various structural and safety improvements. Funding is provided for H-53 engine and aircraft sustainment to ensure the H-53 fleet will continue to meet operational requirements until the CH-53X replaces the legacy fleet. Funding is also provided for the EP-3 Update III Common Configuration program, and upgrades to tactical aircraft electronic warfare countermeasures capabilities.

## Aircraft Weapons Programs

The employment of precision-guided munitions during Operation Enduring Freedom and Operation Iraqi Freedom demonstrated all weather, day and night, precision strike delivered well inland on demand. The FY 2006/FY 2007 budget continues to procure the M82 variant of the Joint Direct Attack Munition (JDAM) and includes procurement of unguided bombs to support deliveries of JDAM and Laser Guided Bomb precision guidance kits. The FY 2006/FY 2007 budget also focuses on production of the Joint Standoff Weapon (JSOW) breaching variant.



Major Aviation Weapons Quantities								
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
JSOW	328	405	420	400	453	496	494	502
SLAM-ER	77	-	-	-	-	-	-	-
AIM-9X	103	135	165	213	195	181	181	181
JDAM	12,422	6,620	3,400	3,400	1,500	1,500	1,500	1,500
AMRAAM	42	46	101	150	140	150	150	150

The AIM-9X (Sidewinder) missile continues to provide short-range air-to-air superiority. The Department continues the procurement of the Advanced Medium Range Air-to-Air Missile (AMRAAM), the next generation, all weather, all environment, radar guided missile for air defense.

<b><u>Also refer to Appendix A for more information:</u></b>	<b><u>Table</u></b>
Aircraft Procurement, Navy	A-10
Weapons Procurement, Navy	A-11
Procurement of Ammunition, Navy and Marine Corps	A-15
Research, Development, Test and Evaluation, Navy	A-16

## ***MINE WARFARE***

Following the Department's achievement of an organic mine warfare capability in 2005, the FY 2006/FY 2007 budget includes funding to continue this effort while maintaining a potent and dedicated Mine Countermeasure force. The FY 2006/FY 2007 budget continues the development and integration of the Airborne Laser Mine Detection System (ALMDS) (IOC of 2008) on the MH-60S platform. The budget also continues the development of the Airborne Mine Neutralization System (AMNS), the Rapid Airborne Mine Clearance System (RAMICS), and the Organic Airborne and Surface Influence Sweep (OASIS) system, with IOC planned in FY 2007 for AMNS and OASIS, and FY 2008 for RAMICS. Funding is also included for the development of a single common console for all Airborne Mine Counter Measures systems to establish a fully integrated mid-term organic mine warfare capability on the MH-60S helicopter. These key organic systems will make up the mine warfare mission modules slated for use on LCS.



The FY 2006/FY 2007 budget continues to support the Assault Breaching System, a family of systems in development to counter the mine and obstacle threat in the beach and surf zones. As a part of this family of systems, the Coastal Battlefield Reconnaissance and Analysis (COBRA) system, a UAV and payload ground processing station, will conduct tactical reconnaissance using multi-spectral imaging for detection of mine fields, obstacles, and camouflaged defenses in the surf zone and inland.

<b><u>Also refer to Appendix A for more information:</u></b>	<b><u>Table</u></b>
Weapons Procurement, Navy	A-11
Other Procurement, Navy	A-13
Research, Development, Test and Evaluation, Navy	A-16

## C4I PROGRAMS

The Navy's Command, Control, Communication, Computers, and Intelligence (C4I) programs represent the backbone of the combat capability of naval forces.



The C4I evolutionary plan revolves around four key elements: connectivity; a common tactical picture; a "Sensor-to-Shooter" emphasis; and information/command and control warfare. Central to this is the continued development of FORCEnet in the FY 2006/FY 2007 budget. FORCEnet is the cornerstone architecture that will integrate sensors, networks, decision aids, and weapons into an adaptive human control maritime system in order to achieve dominance across all warfare spectrums.

A central theme continuing to shape the Navy's budget for C4I programs is the concept of Information Technology for the 21st Century (IT-21). IT-21 provides the common backbone for C4I systems to be linked afloat and to the Internet. The networks integrate afloat tactical operations and tactical support applications with enhanced satellite systems and ashore networks. FY 2006 funding continues to accelerate Integrated Shipboard Network Systems procurement and installation to achieve a Full Operational Capability (FOC) for all platforms by FY 2007. IT-21 connectivity is critical because it provides the managed bandwidth for timely transmission of information. The Satellite Communications Systems program continues expansion of available bandwidth to the warfighter.

FY 2006 funding reflects the procurement of the first of nine Advanced Narrowband System/Mobile User Objective Systems (ANS/MUOS), leading to an Initial Operational Capability (IOC) in FY 2010 and FOC in FY 2014. ANS/MUOS will provide the DoD's Ultra High Frequency satellite communication capability for the 21<sup>st</sup> century.

FY 2006 and FY 2007 continue the development of Advanced Extremely High Frequency terminals that support Air Force's Advanced Wideband System satellite program to meet an IOC in FY 2012 and FOC in FY 2015. FY 2006 continues the System Development and Demonstration Phase of the Joint Tactical Radio System Airborne Maritime/Fixed (JTRS AMF) Cluster. JTRS is a family of radios that will replace and integrate various incompatible Service radios. Funding is also budgeted for the migration of the



Multifunctional Information Distribution System-Low Volume Terminal to JTRS compliance.

Funding in FY 2006 also continues the procurement and installation of Global Broadcast System, Super High Frequency, and Extra High Frequency terminals, and provides for upgraded power distribution and enhanced connectivity “drops” accomplished during equipment installations.

The “Sensor-to-Shooter” concept, which is increasingly critical in the Joint arena, focuses on the process of putting a weapon on target using all available sensor data. Funding continues in FY 2006 for the Advanced Tactical Data Links system, ensuring timely transmission of surveillance, targeting, engagement, combat identification, and battle damage assessment information over IT-21 networks.

Information Warfare/Command and Control Warfare is the integrated use of operations security, military deception, psychological operations, electronic warfare, and physical destruction to deny information to, influence, degrade, or destroy an adversary’s C2 capabilities against such actions. FY 2006 /2007 funding provides for the procurement of Common Data Link - Navy systems and continues funding for the Maritime Cryptologic Systems for the 21<sup>st</sup> Century. In the Information Systems Security Program, FY 2006/FY 2007 funds the procurement of Mission Critical Secure Terminal Equipment. FY 2006/FY 2007 funding continues to provide cryptologic equipment and secure communications equipment for Navy ships, shore sites, aircraft, and the Marine Corps.



**Also refer to Appendix A for more information:**

Other Procurement, Navy  
Procurement, Marine Corps

**Table**

A-13  
A-14

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## **MARINE CORPS GROUND EQUIPMENT**

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This category of our budget supports the development and fielding of all equipment used by Marine Corps ground forces. These programs modernize existing capabilities; some will help provide truly transformational methods that the Marine Corps will bring to future conflicts.

Modernization efforts contained within the FY 2006/FY 2007 budget reflect several major replacement and upgrade programs, both new and continuing. Included are the High Mobility Multi-Purpose Wheeled Vehicle (HMMWVA2) and the Light Armored Vehicle Product Improvement Program (LAV PIP). The LAV PIP ensures that LAV combat capabilities will be preserved through FY 2015.



This budget continues the development of the transformational Expeditionary Fighting Vehicle (EFV), the successor to the current amphibious vehicle, the Assault Amphibious Vehicle Model 7A1. The EFV will allow immediate high-speed surface maneuver by Marine infantry units as they are off-loaded by ships located beyond the enemy's visual horizon. Low-Rate Initial Production begins in FY 2007 and will start delivery in FY 2008. Initial Operational Capability will be reached in FY 2010 and Full Operational Capability in 2020.



Critical to Marine Corps transformation efforts, the Lightweight 155mm Howitzer (LW-155) will provide significant improvements over the current M198 system. Its lighter weight and increased lethality will allow for rapid deployment and improved accuracy. The LW-155 is compatible with all U.S. and NATO 155mm rounds, and its smaller footprint reduces the strategic sealift required. The FY 2006/FY 2007 budget continues procurement of the LW-155 on a multiyear procurement contract jointly with the Army.



Another transformational program, the High Mobility Artillery Rocket System (HIMARS), begins Full Rate Production in FY 2006. HIMARS is a C-130

transportable, wheeled, indirect fire weapon system with a range of 30 to 60 km, thus providing a major improvement in area fire support.

Procurement of Assault Breaching Vehicles (ABVs) increases in FY 2006/FY 2007. The ABV provides the ability to breach minefields and clear complex obstacles while keeping pace with the maneuver force and providing exceptional crew protection and survivability. Additionally, the ABV uses a rebuilt and upgraded M1 tank chassis, affording the economic advantages of commonality with the M1A1 tank fleet.



Major Marine Corps Ground Equipment Procurement Quantities								
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
HMMWV2	1,839	1,830	1,310	1,415	1,235	1,450	1,275	1,235
EFV	-	-	-	15	17	26	42	108
LW155	60	108	77	35	42	-	-	-
HIMARS	1	1	15	19	-	-	-	-
Unit Ops Ctr	14	20	-	-	-	-	-	-
ABV	-	2	20	8	-	-	-	-

**Also refer to Appendix A for more information:**

Procurement, Marine Corps  
 Procurement of Ammunition, Navy and Marine Corps  
 Research, Development, Test and Evaluation, Navy

**Table**

A-14  
 A-15  
 A-16

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## **RESEARCH AND DEVELOPMENT SUPPORT**

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### ***Processes for Innovation***

Sea Trial is the Navy process of integrating emergent concepts and technologies, leading to continuous improvements in warfighting effectiveness and a sustained commitment to innovation. It is based on the mutually reinforcing mechanisms of technology push, concept pull, and spiral development. It puts the Fleet at the heart of innovation and provides a mechanism to more readily capture the fruits of their operational excellence and experimentation.

Led by the Naval Warfare Development Command (NWDC), Sea Trial is designed to constantly survey the changing frontier of technological development, identifying those candidates with the greatest potential to provide dramatic increases in warfighting capability. The result is a process that discovers and aligns emergent technologies to deliver next-generation equipment. Following the warfighters' lead, supporting centers for concept



development propose innovative operational concepts to address emergent conditions. A basic premise is that new capabilities must be delivered to the Fleet quickly and efficiently. To retain technological superiority, we are shifting to spiral development. Under the spiral development philosophy, systems are designed to receive technological updates at regular intervals without disrupting production or performance. A primary goal of Sea Trial is to more fully integrate the technological and conceptual centers of excellence in the Systems Commands and elsewhere, along with testing and evaluation centers, so that their combined efforts result in significant advancements in deployed combat capability. Working closely with the Fleet, technology development centers, Systems Commands, warfare centers, and academic resources, NWDC will continue to align wargaming, experimentation, and exercise events so that they optimally support the development of transformational concepts and technologies.

The FY 2006/FY 2007 budget continues to finance Marine Corps led experimentation with future tactics, concepts, and innovations involving both Marine and Navy forces. The Marine Corps Warfighting Laboratory is the centerpiece for operational reform in the Marine Corps, investigating new and potentially valuable technologies, and evaluating their impact on how the Marine Corps organizes, equips, and trains to fight in the future. Examples of such efforts include work on command post systems, command and control shared data environments, landing force technologies, defeat of improvised explosive devices, and assault vehicles. In addition, the budget continues to

finance Non-Lethal Weapons research and development - a program for which the Marine Corps serves as the executive agent. In the FY 2006/FY 2007 budget, we seek to leverage developing and emerging technologies that have applications across the spectrum of warfare, giving the Marine Corps the versatility to tackle any mission it may confront in an ever-changing world environment.



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## ***Science and Technology***

The Department continues to refocus how it transitions Science and Technology (S&T) to the acquisition community and the warfighter. This focus will maintain a broad base of S&T fed into the research and development transition process while ensuring adequate coverage for military superiority against technological surprise. The focus is on advanced Future Naval Capabilities to the warfighter and technological innovation to support the National Military Strategy. Technology products resulting from the investment in future naval capabilities are transitioning to acquisition programs throughout the FYDP. Such programs include, but are not limited to: next generation warships (especially those with all-electric systems, advanced propulsion, and reduced manning), advanced combat systems for the Marine Corps, and advanced tactical aircraft and weapons.

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## ***Management and Support***

Research, Development, Test, and Evaluation Management Support funds installations and efforts required for general research and development use. This includes operation of the Navy's test range sites; dedicated research and development aircraft and ship operations; and target and threat simulator development efforts. The funding level reflects required infrastructure support commensurate with overall Navy force structure and facilities management consolidations. Seventy-three percent of this funding, or about \$465 million in FY 2006, supports the Major Range and Test Facilities Base, necessary to conduct independent test and evaluation assessments for all Navy ship, submarine, aircraft, weapons, combat systems, and other development, acquisition, and operational system improvements.

The remaining categories of research are platform-related and have been discussed as applicable in the previous sections. Table 19 provides Research, Development, Test and Evaluation, Navy summary data at the budget activity level and highlights major systems efforts.

**Table 19**  
**Department of the Navy**  
**Research, Development, Test and Evaluation**  
*(In Millions of Dollars)*

	FY 2004		FY 2005		FY 2006		FY 2007	
	\$	% of S&T						
<b>Significant RDT&amp;E,N Activities</b>								
Science and Technology	2,182	100%	2,289	100%	1,776	100%	1,817	100%
<i>Basic Research</i>	468	21%	491	21%	448	25%	456	25%
<i>Applied Research</i>	678	31%	822	36%	598	34%	652	36%
<i>Advanced Technology Development</i>	1,036	47%	975	43%	730	41%	709	39%
Advanced Component Development and Prototypes	2,753		3,097		3,276		3,022	
System Development and Demonstration	6,132		7,647		8,878		8,288	
RDT&E Management Support	961		689		757		765	
Operational Systems Development	2,746		3,186		3,351		3,527	
<b>Total RDT&amp;E,N</b>	<b>\$14,773</b>		<b>\$16,907</b>		<b>\$18,038</b>		<b>\$17,419</b>	
<b>NDSF R&amp;D</b>	15		52		103		94	
<b>Total R&amp;D</b>	<b>\$14,788</b>		<b>\$16,960</b>		<b>\$18,141</b>		<b>\$17,513</b>	
<b>Major Systems Efforts:</b>								
Joint Strike Fighter	2,082		2,145		2,393		2,287	
DD(X)	1,015		1,164		1,085		844	
C4I	746		871		1,067		1,283	
MMA	67		490		964		1,138	
VXX	190		551		936		561	
Advanced Hawkeye	328		591		630		558	
Littoral Combat Ship (LCS)	158		453		576		299	
EA-18G	204		354		409		372	
CVN-21	309		351		308		351	
CH-53X	5		102		272		300	
Expeditionary Fighting Vehicle (EFV)	232		243		254		187	
V-22	357		264		206		266	
Virginia Class SSN	141		171		156		139	
Joint Aerial Common Sensor (JACS)	4		25		134		124	
Unmanned Aerial Vehicles (UAV)	183		169		103		105	
F/A-18	164		128		89		21	
MPF(F)	4		28		66		66	
Deployable Joint Command and Control	63		42		41		8	
LHA(R)	54		44		22		46	

Note: Totals may not add due to rounding.

<b>Also refer to Appendix A for more information:</b>	<b>Table</b>
Research, Development, Test and Evaluation, Navy	A-16
National Defense Sealift Fund	A-17

## SECTION VI - FINANCIAL SUMMARY

Total Obligational Authority (TOA) has been used throughout this book to express the amounts in the Department of the Navy budget because it is the most accurate reflection of program value. While TOA amounts differ only slightly from Budget Authority (BA) in some cases, they can differ substantially in others. The differences in TOA and BA, as evidenced in the table below, result from a combination of several factors.

BA, Budget Authority - Authority provided by law to enter obligations that will result in immediate or future outlays involving Federal government funds.

TOA, Total Obligation Authority - The value of the direct defense program for each fiscal year regardless of the method of financing.

	<b>TOA vs BA</b>			
	<i>(In Millions of Dollars)</i>			
	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>Total Obligational Authority (TOA)</b>	<b>121,608</b>	<b>122,598</b>	<b>125,702</b>	<b>129,012</b>
Receipts and Other Funds	333	-152	-155	-155
Expiring Balances	165	-	-	-
Rescissions of Prior Year Programs	-86	-70	-	-
Rescissions of FY 2004 Programs in FY 2005	330	-330	-	-
Bridge Supplemental	2,302	-2,302	-	-
NWF Contract Authority	159	-	-	-
Land Sales Revenue	-2	-115	-133	-
Programs Financed with Prior Balances	-537	-134	-	-
Construction/Housing Transfers	-1	130	-	-
<b>Total Budget Authority</b>	<b>\$124,271</b>	<b>\$119,625</b>	<b>\$125,414</b>	<b>\$128,857</b>

Receipts and Other Funds are reflected in BA, but not in TOA. Offsetting Receipts include such things as donations to the Navy and Marine Corps, recoveries from foreign military sales, deposits for survivor annuity benefits, interest on loans and investments, rents and utilities, and fees chargeable under the Freedom of Information Act. Trust Funds include funds established for the Navy General Gift Fund, environmental restoration of Kaho'olawe Island in Hawaii, Ships Stores Profits, and the Naval Academy Gift and Museum Fund.

Financing adjustments account for many of the differences between TOA and BA. Generally, funding changes are scored as budget authority adjustments in the fiscal year in which the change itself is effective; for TOA purposes, changes are reflected as adjustments to a specific program year, based on the original appropriation. Congressional rescissions reduce the BA in the year of

Congressional action and reduce TOA in the program year impacted by the rescission. For example, rescissions of FY 2004 program reduce BA in FY 2005 and reduce TOA in FY 2004.

Expiring balances also contribute to the difference between TOA and BA. Expiring balances are funds that were included in BA available for FY 2004 accounts, but were not obligated prior to the end of the fiscal year. These amounts are included in BA totals, but not TOA.

Bridge supplementals are amounts that were appropriated in FY 2004, but not apportioned by OMB until FY 2005. They are reflected as FY 2004 budget authority, but displayed as FY 2005 TOA.

Working Capital Fund contract authority reflects the use of authority to place orders in advance of actual sales, and are included in BA, but not TOA.

Land sales revenue is generated by the sale of property closed due to BRAC. The sales are available to finance TOA program, but are not reflected as BA.

Program financed with prior balances are financing adjustments that reduces the need for BA in the budget year based on unobligated balances available. These include unobligated balances transferred from the Foreign Currency Fluctuation Fund.

Construction/housing transfers are transfers authorized to shift authority from many different program years to support efforts such as the Family Housing Improvement Fund.

Outlays represent the net of expenditures and collections from the Treasury of the United States Government. Outlays in a given fiscal year may represent the liquidation of obligation incurred over a number of years. The TOA and BA levels for FY 2004 through FY 2007 along with DON outlay estimates are summarized in Table 20.

**Table 20****Department of the Navy****Summary of Direct Budget Plan (TOA), Budget Authority, and Outlays**

(Dollars in Millions)

Account	TOA				BA				OUTLAY			
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2004	FY 2005	FY 2006	FY 2007	FY 2004	FY 2005	FY 2006	FY 2007
MPN	24,216	24,404	23,032	23,267	24,085	24,376	23,032	23,267	24,111	24,228	22,749	23,170
MPMC	9,956	9,838	9,025	9,321	10,185	9,597	9,025	9,321	9,955	10,166	8,683	9,282
RPN	2,003	2,101	1,774	1,788	2,012	2,101	1,774	1,788	2,022	2,174	1,781	1,778
RPMC	559	637	521	575	560	637	521	575	541	635	536	574
DHAN	-	-	2,006	2,073	-	-	2,006	2,073	-	-	2,006	2,073
DHAMC	-	-	982	1,043	-	-	982	1,043	-	-	982	1,043
DHANR	-	-	292	287	-	-	292	287	-	-	292	287
DHAMCR	-	-	137	145	-	-	137	145	-	-	137	145
OMN	30,288	29,948	30,760	30,661	30,551	29,540	30,760	30,661	31,271	31,726	30,784	30,726
OMMC	4,969	5,227	3,805	4,023	6,610	3,568	3,805	4,023	5,182	5,387	4,176	4,041
OMNR	1,174	1,236	1,246	1,269	1,175	1,236	1,246	1,269	1,212	1,213	1,252	1,279
OMMCR	189	187	200	215	189	187	200	215	197	212	195	207
ERN	-	266	305	309	-	266	305	309	-	59	187	264
NWCF	130	65	83	84	289	-	83	84	701	125	249	84
Payment to Kaho'olawe	20	-	-	-	18	-	-	-	33	-	-	-
APN	9,075	8,836	10,517	10,874	9,108	8,753	10,517	10,874	8,853	8,914	9,193	9,932
WPN	2,054	2,107	2,708	2,647	2,073	2,081	2,708	2,647	1,850	1,930	2,319	2,489
SCN	11,373	10,387	8,721	11,955	11,332	10,363	8,721	11,955	10,021	10,304	9,883	10,170
OPN	4,905	4,846	5,488	5,362	4,947	4,804	5,488	5,362	4,240	4,696	5,021	5,220
PMC	1,542	1,434	1,378	1,619	1,582	1,386	1,378	1,619	1,223	1,543	1,428	1,442
PANMC	945	885	873	840	945	885	873	840	1,056	1,121	969	831
Coastal Defense	-	-	-	-	-	-	-	-	-	56	-	-
RD TEN	14,773	16,907	18,038	17,419	14,922	16,731	18,038	17,419	14,136	15,728	17,196	17,458
NDSF	996	1,205	1,649	1,044	980	1,205	1,649	1,044	736	1,082	1,370	1,206
<b>Total DoD Bill</b>	<b>119,171</b>	<b>120,515</b>	<b>123,539</b>	<b>126,819</b>	<b>121,563</b>	<b>117,716</b>	<b>123,540</b>	<b>126,820</b>	<b>117,340</b>	<b>121,299</b>	<b>121,388</b>	<b>123,701</b>
MCN	1,268	1,209	1,029	1,356	1,246	1,185	1,029	1,356	1,232	1,131	1,357	1,104
MCNR	45	44	45	56	45	44	45	56	71	56	44	45
BRCIV	110	115	276	-	99	-	143	-	280	370	168	96
BRCV	-	-	-	30	-	-	-	30	-	-	-	12
FHCON	178	10	219	269	144	127	219	269	271	220	55	192
FHOPS	836	705	594	482	841	705	594	482	819	795	648	540
Total MILCON Bill	2,437	2,083	2,163	2,193	2,375	2,061	2,030	2,193	2,673	2,572	2,272	1,989
Receipts and Other Funds	-	-	-	-	333	(152)	(155)	(155)	367	(150)	(155)	(155)
<b>Total, DON</b>	<b>\$121,608</b>	<b>\$122,598</b>	<b>\$125,702</b>	<b>\$129,012</b>	<b>\$124,271</b>	<b>\$119,625</b>	<b>\$125,414</b>	<b>\$128,857</b>	<b>\$120,380</b>	<b>\$123,721</b>	<b>\$123,505</b>	<b>\$125,535</b>

Note: Totals may not add due to rounding.



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## **MILITARY PERSONNEL, NAVY**

**Table A-1a****Department of the Navy****Military Personnel, Navy***(Dollars in Millions)*

	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Pay and Allowances of Officers	5,928	5,966	5,928	6,003
Pay and Allowances of Enlisted	16,436	16,581	15,203	15,336
Pay and Allowances of Midshipmen	54	52	56	57
Subsistence of Enlisted Personnel	915	961	981	1,017
Permanent Change of Station Travel	765	772	750	735
Other Military Personnel Costs	118	72	114	118
<b>Total: MPN</b>	<b>\$24,216</b>	<b>\$24,404</b>	<b>\$23,032</b>	<b>\$23,267</b>

Note: Totals may not add due to rounding.

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## **MEDICARE-ELIGIBLE RETIREE HEALTH FUND CONTRIBUTION, NAVY**

**Table A-1b****Department of the Navy****Medicare-Eligible Retiree Health Fund Contribution, Navy***(Dollars in Millions)*

	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Pay and Allowances of Officers	-	-	300	311
Pay and Allowances of Enlisted	-	-	1,707	1,763
<b>Total: DHAN</b>	<b>\$-</b>	<b>\$-</b>	<b>\$2,006</b>	<b>\$2,073</b>

Note: Totals may not add due to rounding.

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## ***MILITARY PERSONNEL, MARINE CORPS***

### ***Table A-2a***

#### ***Department of the Navy***

#### ***Military Personnel, Marine Corps***

*(Dollars in Millions)*

	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Pay and Allowances of Officers	2,047	1,939	1,906	1,970
Pay and Allowances of Enlisted	6,922	7,029	6,168	6,369
Subsistence of Enlisted Personnel	564	491	546	573
Permanent Change of Station Travel	317	327	341	343
Other Military Personnel Costs	105	52	65	66
<b>Total: MPMC</b>	<b>\$9,956</b>	<b>\$9,838</b>	<b>\$9,025</b>	<b>\$9,321</b>

Note: Totals may not add due to rounding.

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## ***MEDICARE-ELIGIBLE RETIREE HEALTH FUND CONTRIBUTION, MARINE CORPS***

### ***Table A-2b***

#### ***Department of the Navy***

#### ***Medicare-Eligible Retiree Health Fund Contribution, Marine Corps***

*(Dollars in Millions)*

	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Pay and Allowances of Officers	-	-	105	111
Pay and Allowances of Enlisted	-	-	877	932
<b>Total: DHAMC</b>	<b>\$-</b>	<b>\$-</b>	<b>\$982</b>	<b>\$1,043</b>

Note: Totals may not add due to rounding.

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## ***RESERVE PERSONNEL, NAVY***

***Table A-3a***

***Department of the Navy***  
***Reserve Personnel, Navy***  
*(Dollars in Millions)*

	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Unit and Individual Training	828	873	1,774	1,788
Other Training and Support	1,175	1,227	-	-
<b>Total: RPN</b>	<b>\$2,003</b>	<b>\$2,101</b>	<b>\$1,774</b>	<b>\$1,788</b>

Note: Totals may not add due to rounding.

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## ***MEDICARE-ELIGIBLE RETIREE HEALTH FUND CONTRIBUTION, NAVY RESERVE***

***Table A-3b***

***Department of the Navy***  
***Medicare-Eligible Retiree Health Fund Contribution, Navy Reserves***  
*(Dollars in Millions)*

	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Unit and Individual Training	-	-	292	287
<b>Total: DHANR</b>	<b>\$-</b>	<b>\$-</b>	<b>\$292</b>	<b>\$287</b>

Note: Totals may not add due to rounding.

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## **RESERVE PERSONNEL, MARINE CORPS**

**Table A-4a****Department of the Navy****Reserve Personnel, Marine Corps***(Dollars in Millions)*

	FY 2004	FY 2005	FY 2006	FY 2007
Unit and Individual Training	316	369	521	575
Other Training and Support	243	268	-	-
<b>Total: RPMC</b>	<b>\$559</b>	<b>\$637</b>	<b>\$521</b>	<b>\$575</b>

Note: Totals may not add due to rounding.

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## **MEDICARE-ELIGIBLE RETIREE HEALTH FUND CONTRIBUTION, MARINE CORPS RESERVE**

**Table A-4b****Department of the Navy****Medicare-Eligible Retiree Health Fund Contribution, Marine Corps Reserve***(Dollars in Millions)*

	FY 2004	FY 2005	FY 2006	FY 2007
Unit and Individual Training	-	-	137	145
<b>Total: DHAMCR</b>	<b>\$-</b>	<b>\$-</b>	<b>\$137</b>	<b>\$145</b>

Note: Totals may not add due to rounding.

## **OPERATION AND MAINTENANCE, NAVY**

**Table A-5**

**Department of the Navy**

**Operation and Maintenance, Navy**

(Dollars in Millions)

	FY 2004	FY 2005	FY 2006	FY 2007
<b><u>Operating Forces</u></b>				
Air Operations	5,775	5,927	6,165	6,008
Ship Operations	8,465	8,194	8,389	8,372
Combat Operations/Support	2,777	2,569	2,600	2,622
Weapons Support	1,426	1,474	1,555	1,474
NWCF Support	-448	-150	-	-
Base Support	4,392	4,944	4,762	4,736
<b>Total - Operating Forces</b>	<b>\$22,387</b>	<b>\$22,957</b>	<b>\$23,471</b>	<b>\$23,212</b>
<b><u>Mobilization</u></b>				
Ready Reserve and Prepositioning Forces	536	535	534	435
Activations/Inactivations	141	227	129	241
Mobilization Preparedness	46	44	50	52
<b>Total - Mobilization</b>	<b>\$723</b>	<b>\$806</b>	<b>\$712</b>	<b>\$728</b>
<b><u>Training and Recruiting</u></b>				
Accession Training	220	226	238	242
Basic Skills and Advanced Training	1,179	1,210	1,237	1,321
Recruiting & Other Training and Education	470	528	552	567
<b>Total - Training and Recruiting</b>	<b>\$1,869</b>	<b>\$1,964</b>	<b>\$2,027</b>	<b>\$2,129</b>
<b><u>Administration and Servicewide Support</u></b>				
Servicewide Support	2,001	1,875	2,080	2,086
Logistics Operations and Technical Support	2,359	1,466	1,505	1,523
Investigations and Security Programs	887	870	955	971
Support of Other Nations	60	10	11	11
Cancelled Accounts	2	-	-	-
<b>Total - Administration and Servicewide Support</b>	<b>\$5,309</b>	<b>\$4,221</b>	<b>\$4,550</b>	<b>\$4,591</b>
<b>Total: O&amp;MN</b>	<b>\$30,288</b>	<b>\$29,948</b>	<b>\$30,760</b>	<b>\$30,661</b>

Note: Totals may not add due to rounding.

## **OPERATION AND MAINTENANCE, MARINE CORPS**

**Table A-6****Department of the Navy****Operation and Maintenance, Marine Corps***(Dollars in Millions)*

	FY 2004	FY 2005	FY 2006	FY 2007
<b><u>Operating Forces</u></b>				
Expeditionary Forces	2,279	2,761	1,010	1,120
USMC Prepositioning	114	73	74	77
Base Support	1,452	1,434	1,827	1,930
<b>Total - Operating Forces</b>	<b>\$3,844</b>	<b>\$4,267</b>	<b>\$2,911</b>	<b>\$3,127</b>
<b><u>Training and Recruiting</u></b>				
Accession Training	10	11	11	11
Basic Skills and Advanced Training	168	179	185	188
Recruiting & Other Training and Education	167	170	184	181
Base Support	216	229	188	191
<b>Total - Training and Recruiting</b>	<b>\$561</b>	<b>\$588</b>	<b>\$568</b>	<b>\$572</b>
<b><u>Administration and Servicewide Support</u></b>				
Servicewide Support	542	350	309	311
Base Support	22	22	16	14
<b>Total - Administration and Servicewide Support</b>	<b>\$564</b>	<b>\$372</b>	<b>\$325</b>	<b>\$324</b>
<b>Total: O&amp;MMC</b>	<b>\$4,969</b>	<b>\$5,227</b>	<b>\$3,805</b>	<b>\$4,023</b>

Note: Totals may not add due to rounding.

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## **OPERATION AND MAINTENANCE, NAVY RESERVE**

### **Table A-7**

#### **Department of the Navy**

#### **Operation and Maintenance, Navy Reserve**

(Dollars in Millions)

	FY 2004	FY 2005	FY 2006	FY 2007
<b><u>Operating Forces</u></b>				
Air Operations	600	629	680	729
Ship Operations	150	154	135	120
Combat Operations/Support	108	235	225	225
Weapons Support	6	6	5	5
Base Support	148	181	173	162
<b>Total - Operating Forces</b>	<b>\$1,011</b>	<b>\$1,204</b>	<b>\$1,217</b>	<b>\$1,241</b>
<b><u>Administration and Servicewide Support</u></b>				
Servicewide Support	163	31	29	28
<b>Total - Administration and Servicewide Support</b>	<b>\$163</b>	<b>\$31</b>	<b>\$29</b>	<b>\$28</b>
<b>Total: O&amp;MNR</b>	<b>\$1,174</b>	<b>\$1,236</b>	<b>\$1,246</b>	<b>\$1,269</b>

Note: Totals may not add due to rounding.

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## **OPERATION AND MAINTENANCE, MARINE CORPS RESERVE**

**Table A-8***Department of the Navy**Operation and Maintenance, Marine Corps Reserve**(Dollars in Millions)*

	FY 2004	FY 2005	FY 2006	FY 2007
<b><u>Operating Forces</u></b>				
Expeditionary Forces	110	109	86	98
Base Support	41	45	81	83
<b>Total - Operating Forces</b>	<b>\$151</b>	<b>\$154</b>	<b>\$167</b>	<b>\$181</b>
<b><u>Administration and Servicewide Support</u></b>				
Servicewide Support	33	28	29	29
Base Support	6	5	4	5
<b>Total - Administration and Servicewide Support</b>	<b>\$39</b>	<b>\$33</b>	<b>\$33</b>	<b>\$34</b>
<b>Total: O&amp;MMCR</b>	<b>\$189</b>	<b>\$187</b>	<b>\$200</b>	<b>\$215</b>

Note: Totals may not add due to rounding.

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## ***ENVIRONMENTAL RESTORATION, NAVY***

### ***Table A-9a***

#### ***Department of the Navy***

#### ***Environmental Restoration, Navy***

*(Dollars in Millions)*

	FY 2004	FY 2005	FY 2006	FY 2007
Environmental Restoration Activities	-	266	305	309
<b>Total: ERN</b>	<b>\$-</b>	<b>\$266</b>	<b>\$305</b>	<b>\$309</b>

Note: Totals may not add due to rounding.

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## ***KAHO'OLAWE ISLAND***

### ***Table A-9b***

#### ***Department of the Navy***

#### ***Kaho'olawe Island***

*(Dollars in Millions)*

	FY 2004	FY 2005	FY 2006	FY 2007
Kaho'olawe Island	20	-	-	-
<b>Total: Kaho'olawe Island</b>	<b>\$20</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>

Note: Totals may not add due to rounding.

## AIRCRAFT PROCUREMENT, NAVY

**Table A-10**

*Department of the Navy*

*Aircraft Procurement, Navy*

*(Dollars in Millions)*

	FY 2004		FY 2005		FY 2006		FY 2007	
	QTY	\$	QTY	\$	QTY	\$	QTY	\$
Combat Aircraft	79	5,166	80	5,115	101	5,921	127	7,315
Airlift Aircraft	6	148	5	187	-	10	1	83
Trainer Aircraft	16	366	12	322	6	242	36	510
Other Aircraft	4	81	13	327	21	1,097	9	66
Modification of Aircraft	-	1,605	-	1,323	-	1,515	-	1,495
Aircraft Spares and Repair Parts	-	1,174	-	968	-	1,089	-	831
Aircraft Support Equipment and Facilities	-	535	-	593	-	643	-	574
<b>Total: APN</b>	<b>105</b>	<b>\$9,075</b>	<b>110</b>	<b>\$8,836</b>	<b>128</b>	<b>\$10,517</b>	<b>173</b>	<b>\$10,874</b>
<b>R&amp;D Aircraft</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>*</b>	<b>10</b>	<b>*</b>	<b>1</b>	<b>*</b>
<b>Total Aircraft Procurement</b>	<b>105</b>	<b>\$9,075</b>	<b>115</b>	<b>\$8,836</b>	<b>138</b>	<b>\$10,517</b>	<b>174</b>	<b>\$10,874</b>

\*Funded in RDT&E,N

Note: Totals may not add due to rounding.

## WEAPONS PROCUREMENT, NAVY

**Table A-11**

*Department of the Navy  
Weapons Procurement, Navy  
(Dollars in Millions)*

	FY 2004		FY 2005		FY 2006		FY 2007	
	QTY	\$	QTY	\$	QTY	\$	QTY	\$
<b>Ballistic and Other</b>								
TRIDENT II	12	640	5	716	-	933	-	930
Tomahawk	322	352	298	279	379	353	372	366
STANDARD	75	146	75	150	75	146	75	146
JSOW	328	117	405	143	420	144	400	140
ESSM	82	101	71	80	116	100	108	100
RAM	90	48	90	47	90	87	90	81
AMRAAM	42	37	46	29	101	82	150	99
AIM-9X	103	25	135	31	165	38	213	48
SLAM-ER	77	51	-	-	-	-	-	-
Hellfire	72	7	-	-	-	-	-	-
Other	-	203	-	227	-	219	-	201
<b>Torpedoes and Related Equipment</b>								
Mk-46 Torpedo Mods	-	42	-	61	-	77	-	97
Mk-48 Torpedo ADCAP Mods	-	60	-	61	-	61	-	63
Other	-	51	-	68	-	77	-	77
<b>Other Weapons/Spares</b>								
CIWS & MODS	-	49	-	101	-	196	-	170
Gun Mount Mods	-	49	-	43	-	84	-	9
All Other	-	79	-	71	-	112	-	121
<b>Total: WPN</b>	<b>1,203</b>	<b>\$2,054</b>	<b>1,125</b>	<b>\$2,107</b>	<b>1,346</b>	<b>\$2,708</b>	<b>1,408</b>	<b>\$2,647</b>

Note: Totals may not add due to rounding.

## SHIPBUILDING AND CONVERSION, NAVY

**Table A-12**

*Department of the Navy*

*Shipbuilding and Conversion, Navy*

*(Dollars in Millions)*

	FY 2004		FY 2005		FY 2006		FY 2007	
	QTY	\$	QTY	\$	QTY	\$	QTY	\$
<b><u>New Construction</u></b>								
CVN-21	-	1,163	-	624	-	565	-	796
SSN-774	1	2,691	1	2,520	1	2,401	1	2,414
DDG-51	3	3,269	3	3,559	-	225	-	327
DD(X)	-	-	-	304	-	716	1	2,568
LCS	-	*	1	*	1	*	2	542
LPD-17	1	1,576	1	1,227	1	1,345	1	1,584
LHD-1	-	352	-	235	-	198	-	-
LHA(R)	-	-	-	149	-	150	1	1,215
T-AKE	2	**	2	**	1	**	1	**
<b>Total New Construction</b>	<b>7</b>	<b>\$9,050</b>	<b>8</b>	<b>\$8,619</b>	<b>4</b>	<b>\$5,601</b>	<b>7</b>	<b>\$9,447</b>
<b><u>Conversions</u></b>								
SSGN Conversion	1	1,156	1	515	-	287	-	\$-
<b>Total Conversion</b>	<b>1</b>	<b>\$1,156</b>	<b>1</b>	<b>\$515</b>	<b>-</b>	<b>\$287</b>	<b>-</b>	<b>\$-</b>
<b><u>Other</u></b>								
RCOH	-	214	-	332	1	1,514	-	897
SSBN ERO	-	105	1	325	1	292	1	358
SSN ERO	2	446	-	19	-	40	1	173
LCAC SLEP	4	73	5	104	6	111	6	110
Outfitting	-	313	-	350	-	427	-	472
Service Craft	-	12	-	37	-	56	-	48
Mine Hunter	-	4	-	-	-	-	-	-
LCU(R)	-	-	1	25	-	-	-	-
Completion of PY Shipbuilding Programs	-	-	-	-	-	395	-	450
DDG Modernization Program	-	-	-	50	-	-	-	-
Power Unit Assembly Facility	-	-	-	11	-	-	-	-
<b>Total Other</b>	<b>6</b>	<b>\$1,167</b>	<b>7</b>	<b>\$1,253</b>	<b>8</b>	<b>\$2,834</b>	<b>8</b>	<b>\$2,508</b>
<b>Total: SCN \$M</b>	<b>14</b>	<b>\$11,373</b>	<b>16</b>	<b>\$10,387</b>	<b>12</b>	<b>\$8,721</b>	<b>15</b>	<b>\$11,955</b>

\* Funded in R&D

\*\* Funded in NDSF

Note: Totals may not add due to rounding.

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**OTHER PROCUREMENT, NAVY**
**Table A-13**

*Department of the Navy*  
**Other Procurement, Navy**  
*(Dollars in Millions)*

	FY 2004	FY 2005	FY 2006	FY 2007
Ship Support Equipment	1,268	1,352	1,653	1,698
Communications and Electronics Equipment	1,979	1,742	1,848	1,852
Aviation Support Equipment	246	297	268	332
Ordnance Support Equipment	629	647	667	560
Civil Engineering Support Equipment	127	134	283	212
Supply Support Equipment	114	117	108	109
Personnel and Command Support Equipment	270	314	393	342
Spares and Repair Parts	272	244	269	257
<b>Total: OPN</b>	<b>\$4,905</b>	<b>\$4,846</b>	<b>\$5,488</b>	<b>\$5,362</b>

Note: Totals may not add due to rounding.

# PROCUREMENT, MARINE CORPS

**Table A-14**

**Department of the Navy  
Procurement, Marine Corps**  
(Dollars in Millions)

	FY 2004		FY 2005		FY 2006		FY 2007	
	QTY	\$	QTY	\$	QTY	\$	QTY	\$
<b><u>Weapons Combat Vehicles</u></b>								
LW155MM Lightweight Howitzer	60	112	108	227	77	178	35	94
HIMARS	1	17	1	16	15	177	19	213
LAV PIP	-	36	-	63	-	60	-	32
Expeditionary Fighting Vehicle (EFV)	-	97	-	52	-	30	15	256
AAV7A1 PIP	132	66	121	121	-	26	-	14
Other	-	69	-	74	-	87	-	52
<b><u>Guided Missiles and Equipment</u></b>								
Expeditionary Air Defense System	-	2	-	10	-	2	-	4
JAVELIN	-	-	31	4	-	-	-	-
Other	-	5	-	12	-	-	-	3
<b><u>Communication &amp; Electronics Equipment</u></b>								
Intelligence Support Equipment	-	17	-	17	-	66	-	54
Comm Switching & Control Systems	-	29	-	30	-	54	-	68
Common Computer Resources	-	54	-	62	-	49	-	66
Radio Systems	-	38	-	26	-	29	-	48
Night Vision Equipment	-	31	-	42	-	21	-	17
Comm & Elec Infrastructure Support	-	21	-	35	-	18	-	16
Command Post Systems	-	26	-	8	-	17	-	22
Air Operations C2 Systems	-	10	-	10	-	13	-	43
Mod Kits MAGTF C41	-	19	-	4	-	-	-	-
Other	-	187	-	206	-	137	-	141
<b><u>Support Vehicles</u></b>								
5/4T Truck HMMWV (MYP)	1,839	149	1,830	131	1,310	98	1,415	111
Logistics Vehicle System Rep	-	17	-	3	-	28	-	71
Motor Transport Modifications	-	253	-	-	-	-	-	-
Other	30	49	37	17	24	27	27	34
<b><u>Engineer And Other Equipment</u></b>	-	222	-	236	-	234	-	219
<b><u>Spares and Repair Parts</u></b>	-	16	-	27	-	27	-	40
<b>Total: PMC</b>	<b>2,062</b>	<b>\$1,542</b>	<b>2,128</b>	<b>\$1,434</b>	<b>1,426</b>	<b>\$1,378</b>	<b>1,511</b>	<b>\$1,619</b>

Note: Totals may not add due to rounding.

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***PROCUREMENT OF AMMUNITION, NAVY AND  
MARINE CORPS***

***Table A-15***

***Department of the Navy***

***Procurement of Ammunition, Navy and Marine Corps***

*(Dollars in Millions)*

	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Navy Ammunition	701	621	572	515
Marine Corps Ammunition	244	264	301	325
<b>Total: PANMC</b>	<b>\$945</b>	<b>\$885</b>	<b>\$873</b>	<b>\$840</b>

Note: Totals may not add due to rounding.

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**RESEARCH, DEVELOPMENT, TEST AND  
EVALUATION, NAVY**

**Table A-16****Department of the Navy****Research, Development, Test and Evaluation, Navy***(Dollars in Millions)*

	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Basic Research	468	491	448	456
Applied Research	678	822	598	652
Advanced Technology Development	1,036	975	730	709
Advanced Component Development	2,753	3,097	3,276	3,022
System Development and Demonstration	6,132	7,647	8,878	8,288
RDT&E Management Support	961	689	757	765
Operational Systems Development	2,746	3,186	3,351	3,527
<b>Total: RDT&amp;E,N</b>	<b>\$14,773</b>	<b>\$16,907</b>	<b>\$18,038</b>	<b>\$17,419</b>

Note: Totals may not add due to rounding.

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**NATIONAL DEFENSE SEALIFT FUND**
**Table A-17****Department of the Navy****National Defense Sealift Fund***(Dollars in Millions)*

	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Strategic Sealift Acquisition	621	768	419	520
DoD Mobilization Assets	134	162	922	207
Research and Development	15	52	103	94
Ready Reserve Force	226	222	204	223
<b>Total: NDSF</b>	<b>\$996</b>	<b>\$1,205</b>	<b>\$1,649</b>	<b>\$1,044</b>

Note: Totals may not add due to rounding.

## **MILITARY CONSTRUCTION, NAVY AND NAVAL RESERVE**

**Table A-18****Department of the Navy****Military Construction, Navy and Naval Reserve***(Dollars in Millions)*

	FY 2004	FY 2005	FY 2006	FY 2007
<b>Significant Programs</b>				
Operational & Training Facilities	345	306	370	493
Maintenance & Production Facilities	175	191	196	249
R&D Facilities	66	50	66	47
Supply Facilities	31	38	8	27
Administrative Facilities	28	205	18	84
Housing Facilities	277	184	196	217
Community Facilities	12	14	30	50
Utility Facilities	113	82	70	104
Real Estate	132	31	45	13
Unspecified Minor Construction	15	12	-	-
Planning And Design	71	96	30	72
Historic Facilities	3	-	-	-
<b>Total: Navy</b>	<b>\$1,268</b>	<b>\$1,209</b>	<b>\$1,029</b>	<b>\$1,356</b>
<b>Naval Reserve</b>				
<b>Significant Programs</b>				
Operational & Training Facilities	26	31	40	39
Maintenance & Production Facilities	14	-	2	14
Community Facilities	3	11	-	-
Planning and Design	3	2	3	3
<b>Total: Naval Reserve</b>	<b>\$45</b>	<b>\$44</b>	<b>\$45</b>	<b>\$56</b>

Note: Totals may not add due to rounding.

## ***FAMILY HOUSING, NAVY AND MARINE CORPS***

***Table A-19******Department of the Navy******Family Housing, Navy and Marine Corps****(Dollars in Millions)*

	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b><u>Navy</u></b>				
Construction	52	10	107	120
O&M	692	565	483	414
<b>Total: Navy</b>	<b>\$744</b>	<b>\$575</b>	<b>\$590</b>	<b>\$534</b>
<b><u>Marine Corps</u></b>				
Construction	126	-	112	149
O&M	145	140	110	68
<b>Total: Marine Corps</b>	<b>\$270</b>	<b>\$140</b>	<b>\$223</b>	<b>\$217</b>
<b>Total: FH,N&amp;MC</b>	<b>\$1,014</b>	<b>\$715</b>	<b>\$813</b>	<b>\$751</b>
<b><u>New Construction Projects</u></b>				
Navy	1	-	1	2
Marine Corps	3	-	-	-
<b><u>Construction Units</u></b>				
Navy	187	-	126	242
Marine Corps	858	-	-	-
<b><u>Average Number of Units</u></b>				
Navy	46,850	36,129	23,229	17,201
Marine Corps	16,198	15,326	10,036	4,848

Note: Totals may not add due to rounding.

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**BASE REALIGNMENT AND CLOSURE ACCOUNTS**
**Table A-20****Department of the Navy****Base Realignment and Closure Accounts***(Dollars in Millions)*

<b>Costs</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Base Realignment and Closure IV	110	115	276	-
Base Realignment and Closure V	-	-	-	30
<b>Total: BRAC</b>	<b>\$110</b>	<b>\$115</b>	<b>\$276</b>	<b>\$30</b>

Note: Totals may not add due to rounding.

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**NAVY WORKING CAPITAL FUND**
**Table A-21****Department of the Navy****Navy Working Capital Fund***(Dollars in Millions)*

<b>Costs</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Navy Working Capital Fund	130	65	83	84
<b>Total: NWCF</b>	<b>\$130</b>	<b>\$65</b>	<b>\$83</b>	<b>\$84</b>

Note: Totals may not add due to rounding.

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