



FY 2003 Budget Overview

*RADM A.T. Church
Director, Office of Budget
Office of the Assistant Secretary of the Navy (Financial
Management and Comptroller)*

1 February 2002

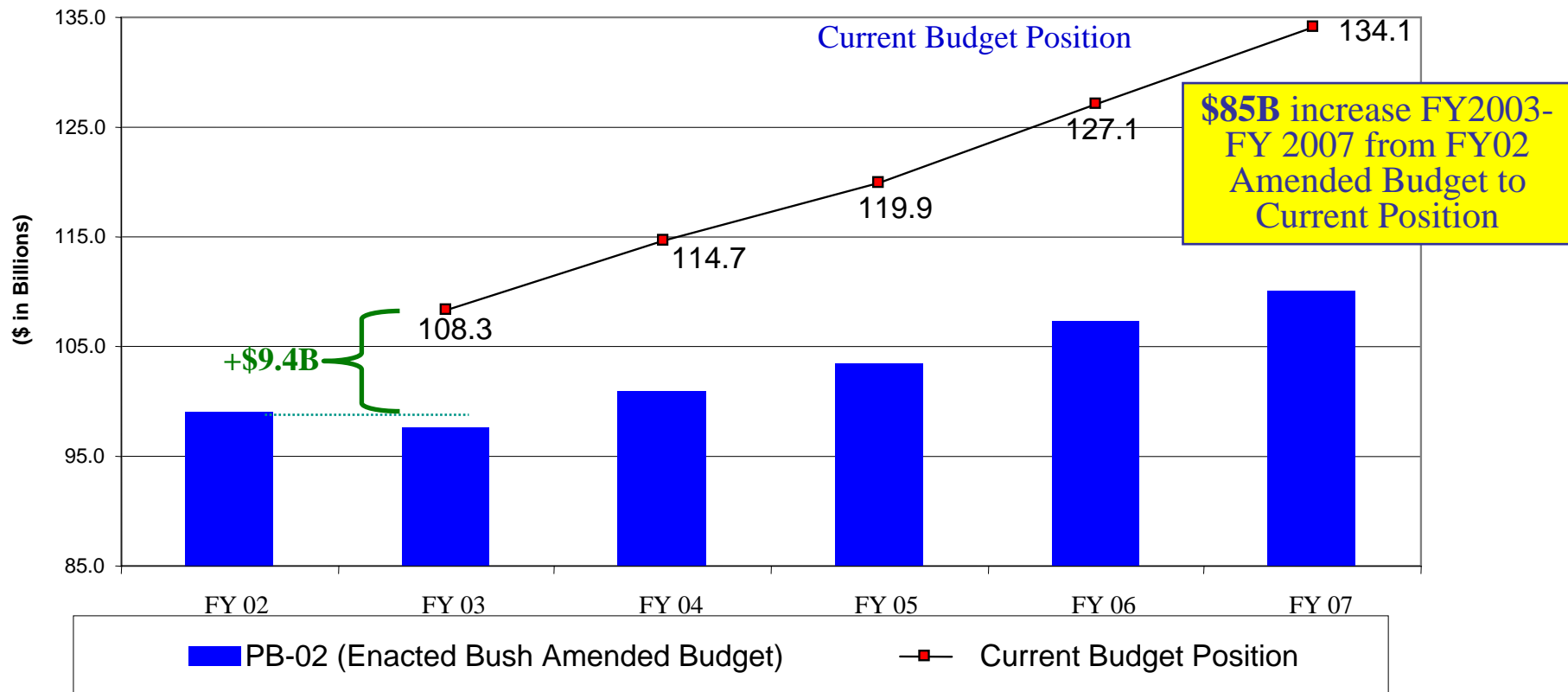
■ *Builds on Success*

- Continues commitment to people/quality of service and readiness
- Invests in combat capability and QDR transformational goals
- Invests in technology
- Promotes better business practices

■ *Adapts to the future*

- DDX, SSGN, JSF, UAV/UUV
- Homeland Defense
- Force Protection

Topline Profile



FY 2003 Budget Changes

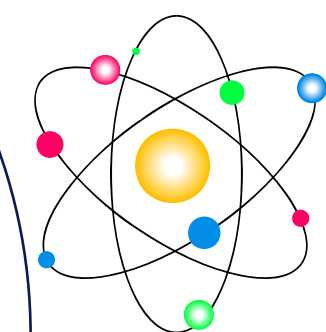
FY02 Appropriated to FY03 Budget

MILPERS

- Retired Accrual (+2.3B)
- Pay Raise (+1B)
- BAH (+255M)
- CSP (+157M)
- 4th MEB (+110M)

Procurement

- -7 Aircraft (+433M)
- -1 Ship/+2 SSGN Conv (-939M)
- Increased Munitions (+973M)



+\$4,094M

+\$992M



+9,421M

+\$3,364M

+\$1,113M

-\$142M

MILCON/BRAC

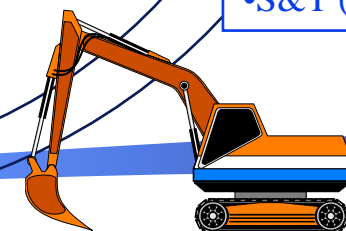
- BRAC +\$49M
- MILCON -\$239M
- FH (Con) +48M

R&D

- JSF (+965M)
- DDX (+430M)
- E-2 RMP (+36M)
- Global Hawk UAV (+152M)
- FORCEnet (+20M)
- V-22 (-23M)
- S&T (-444M)

O&M

- Flying Ops/Maint (+117M)
 - Ship Ops/Main (+824M)
 - MC Ops (+407M)
 - Combat/Wpns Spt (+294M)
 - Base Support (+444M)
 - Training/Recruiting (+163M)
 - Logistics/Serv-wide Spt (+611M)
 - Civ Retire/Health Accrual (+\$750M)
- ~\$2B



People/Quality of Service

Build on prior successes

- Military Pay at 4.1% (ECI +.5%)
- Civilian Pay at 2.6% (ECI - 1%)
- BAH drawdown to 7.5% OOP
- Enhanced Career Sea Pay
- 1% increase to Top 6
- Tri-Care for Life
- 4th MEB (2,400 E/S)
- FP (3,300 E/S)

...we have...

- Achieved recruiting goals again
 - MC 6+ years/Navy 3+ years
- Improved retention
 - Navy increase 43% (FY 99) → 57% (FY 01)
- Reduced Gapped Billets at Sea
- Made QOS a priority

Top priority is to our people

*Maintains high morale
and readiness*

Build on prior successes

- Achieve readiness goals for:
 - Flying Hour Program
 - Fleet Aviation Simulator Trainer
 - Ship Operations
 - Ship Depot Maintenance
 - Aircraft Depot Maintenance
 - Spares
 - Facility Sustainment

...we have...

- Validated requirements and funded to goal
- Improved readiness rates of deploying airwings for the first time since FY 96
- Reduced cannibalization rates from 9.3 per 100 flight hours (FY 98) to 8.7
- P1 for personnel improved by 11% deployed/6% non-deployed in FY 01

Continued commitment to fund readiness

Invests in combat capability and Transformational goals

...we have...

- Preserved critical force structure
- Accelerated retirements and terminated programs
- Increased PGM procurement
- Funded transformation and transformational supporting capabilities

Force sustainment remains a challenge

Combat Capability - Shipbuilding

	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07
CVNX	0	0	0	0	0	1
SSN 774	1	1	1	1	1	1
DDG 51	3	2	2	2	2	2
DDX (R&D)	0	0	0	1	0	0
LPD 17	0	1	1	1	1	1
LHD	1	0	0	0	0	0
JCC	0	0	0	0	1	2
MPF(F) (NDSF)	0	0	0	0	0	1
T-AKE (NDSF)	1	1	1	2	2	3
Total New Construction	6	5	5	7	7	11
SSGN	0	2	2	0	0	0
Cruiser Conversion	0	0	1	2	4	4
T-AGS	0	0	0	0	1	0
Total Conversions	0	2	3	2	5	4
CVN RCOH	1	0	0	1	0	0
SSN/SSBN refueling	2	1	2	1	3	4
LCU	0	0	0	5	5	5
LCAC SLEP	2	3	4	4	6	6
PY Completion \$M	729	644	645	744	185	0

Goal is 8 to 10 Ships per Year

FY 2003:

5 new const ships

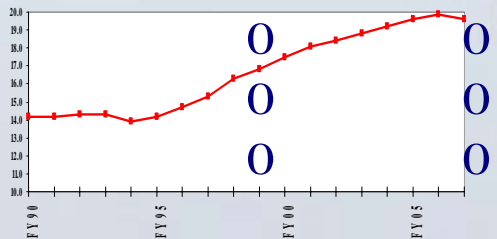
1 SSN ERO

2 SSGN conversions

} Preserves force structure

Combat Capability - Aircraft Procurement

	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07
FA/18 E/F	48	44	42	43	50	55
E-2C	5	5	2	3	4	4
V-22	9	11	13	15	20	27
MH-60S	13	15	13	22	26	27
T-45TS	6	8	0	0	0	0
JPATS	6	0	0	0	0	24
MH-60R	0	0	6	10	10	10
UH-1Y/AH1Z	0	0	9	11	22	28
KC-130J	2	0	0	0	4	5
UC-35	1	0	0	1	2	2
C-40A	0	0	0	0	3	1
C-37	0	0	0	0	2	0
MMA	0	0	0	0	0	2
JSF	0	0	0	0	4	8
TOTAL	90	83	85	105	147	193



Goal 180 to 210 Aircraft per Year

Our biggest challenge

Combat Capability - Munitions

	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07
PGMs						
Tomahawk	32	106	314	351	483	469
JSOW	0	363	555	522	502	424
SLAM-ER	30	120	84	90	0	0
JASSM	0	0	0	0	0	30
JDAM	1,603	9,880	7,626	5,964	7,230	6,456
LGBs	1,585	13,437	11,335	11,013	5,944	4,243
Other Munitions						
Trident II	12	12	12	5	0	0
AMRAAM	57	100	55	48	48	48
AIM-9X	105	295	142	148	151	153
Standard Missile	96	93	139	139	209	236
RAM	90	90	240	180	670	610
ESSM	26	146	182	384	441	298
WPN/PANMC \$M	1,875	2,848	3,186	4,032	4,907	4,828

Combat Capability – Marine Corps Ground Modernization

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
AAAV	0	1	0	23	24	54
HIMARS	0	2	1	1	20	19
LW 155	0	34	60	110	120	53
Predator	0	445	526	673	805	739
Target Loc Sys	60	89	120	0	0	0
Unit Ops Ctr	0	32	38	53	42	56
HMMWV	1,625	1,667	1,304	2,813	3,358	3,371
MTVR	1,959	1,405	0	0	0	0
ABV	0	4	1	22	20	0
Total \$MPMC	985	1,288	1,142	1,589	1,939	2,325

Force Structure

	FY 2002	FY 2003	Change
Aircraft Carriers	12	12	0
Fleet Ballistic Missile Submarines*	18	18	0
Surface Combatants	116	113	-3
Nuclear Attack Submarines	54	54	0
Amphibious Warfare Ships	39	37	-2
Combat Logistics Ships	34	33	-1
Mine Warfare Ships	17	16	-1
Support Ships	25	25	0
	315	308	-7

In FY 2003:

- +3 Arleigh Burke Class Guided Missile Destroyers
- +1 Nimitz Class Aircraft Carrier
- 6 Destroyers
- 1 Conventional Aircraft Carrier
- 1 Landing Ship Dock
- 1 Amphibious Tank Landing ship
- 1 Mine Countermeasures ship
- 1 Ammunition ship

	FY 2002	FY 2003	Change
Primary Authorized Aircraft (Active)	2,480	2,438	-42
Primary Authorized Aircraft (Reserve)	407	408	1
	2,887	2,846	-41

In FY 2003:

- 24 F-14 aircraft retired
- 12 S-3 aircraft retired

*In FY 2003, 2 are guided missile (SSGN) submarines after conversion

Transformational Capabilities

- DON FY 2003 Budget supports new transformational platforms and capabilities



	<u>FY03</u>	<u>FYDP</u>		<u>FY03</u>	<u>FYDP</u>
			E-2C RMP	114	2,629
			AAAV	287	1,661
			MUOS	66	2,605
			Submarine Acoustics	252	1,329
			CEC	68	1,118
			Joint Tactical Radio Sys	23	485
JSF	1,728	12,727	UAVs	152	467
DDX	960	5,755	ADS	56	377
CVNX	510	6,128	AST	107	573
SSGN	1,018	2,815	ATFLIR	248	896
MV-22	420	1,120	ITVR	2	35
AEA	0	1,050	HIMARS	20	376
MMA	150	1,507	CLAWS	11	124
SUB ACOUSTICS	277	2,400	Multi-Role Radar System	4	72
IT-21	378	1,584	CEC	12	74
			CAC2 Sys	57	285
			UOC	26	209
			JTRS	1	45
			Unit Level Circuit Switch	4	182



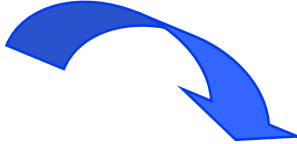
FY 03

FYDP

Transformation is not just about revolutionary new hardware. It is also about evolutionary improvements in existing systems, coupled with new doctrines and tactics, and with innovative uses.

Promote Better Business Practices

Continue with innovative business approaches and exploitation of information technologies...

- 
- Navy Marine Corps Intranet
 - Enterprise Resource Planning
 - Business Initiatives Council
 - Headquarters Reductions
 - Strategic Sourcing
 - T-5 Tanker Buyout
 - Infrastructure Recap Rates
 - Acquisition Costing
 - Public Private Venture

Managing the Department in a business-like manner

Family Housing

	FY 2001	FY 2002	FY2003
\$M	409	328	376

Navy

# units	FY 2001	FY 2002	FY2003
New Construction	9	3	6
Construction Units	1,055	240	399
PPV	3,686	1,596	8,700

- Eliminates inadequate housing by FY 2007

Marine Corps

# units	FY 2001	FY 2002	FY2003
New Construction	2	4	4
Construction Units	163	336	748
PPV	712	171	5,360

- Eliminates inadequate housing by FY 2005

Bachelor Housing

	FY 2001	FY 2002	FY2003
\$M	201	430	290

- Navy will meet its “1+1” goal by 2013
- Navy will provide quarters ashore, by housing 2 sailors per room, by FY 2008
- Marine Corps Achieves “2+0” standard by FY 2010

QDR

- ✓ Defending the U.S. and projecting power
- ✓ Regional balance and assured access
- ✓ Capabilities-Based Focus
- ✓ Transformation

Homeland Defense

- +3 FFGs
- +13 Patrol Coastals
- +Coast Guard Support
- +Naval Coastal Warfare
- +Stood up 4th MEB
(+2,400 E/S)

Force Protection

- + Perimeter and waterfront security
- + Physical Security Site Improvements
- + 3,300 Navy E/S for FP efforts

...Success of Our Deployed Forces

In support of Enduring Freedom...

- **>50 Ships Deployed**
 - **5 aircraft carriers/3 ARGs**
- **9,000 Sorties Flown**
 - **>4,000 PGMs dropped**
 - **>93% of total weapons dropped**
- **~80% of all strike missions flown were by Navy aircraft**
- **Targets hit 84% of the time**
- **USMC First Conventional Ground Force in Theater**
- **29,083 DON Personnel Deployed**
- **8,715 Reservists mobilized**
- **Naval Construction Battalion**
- **GTMO detainees (158)**



In Support of Noble Eagle...

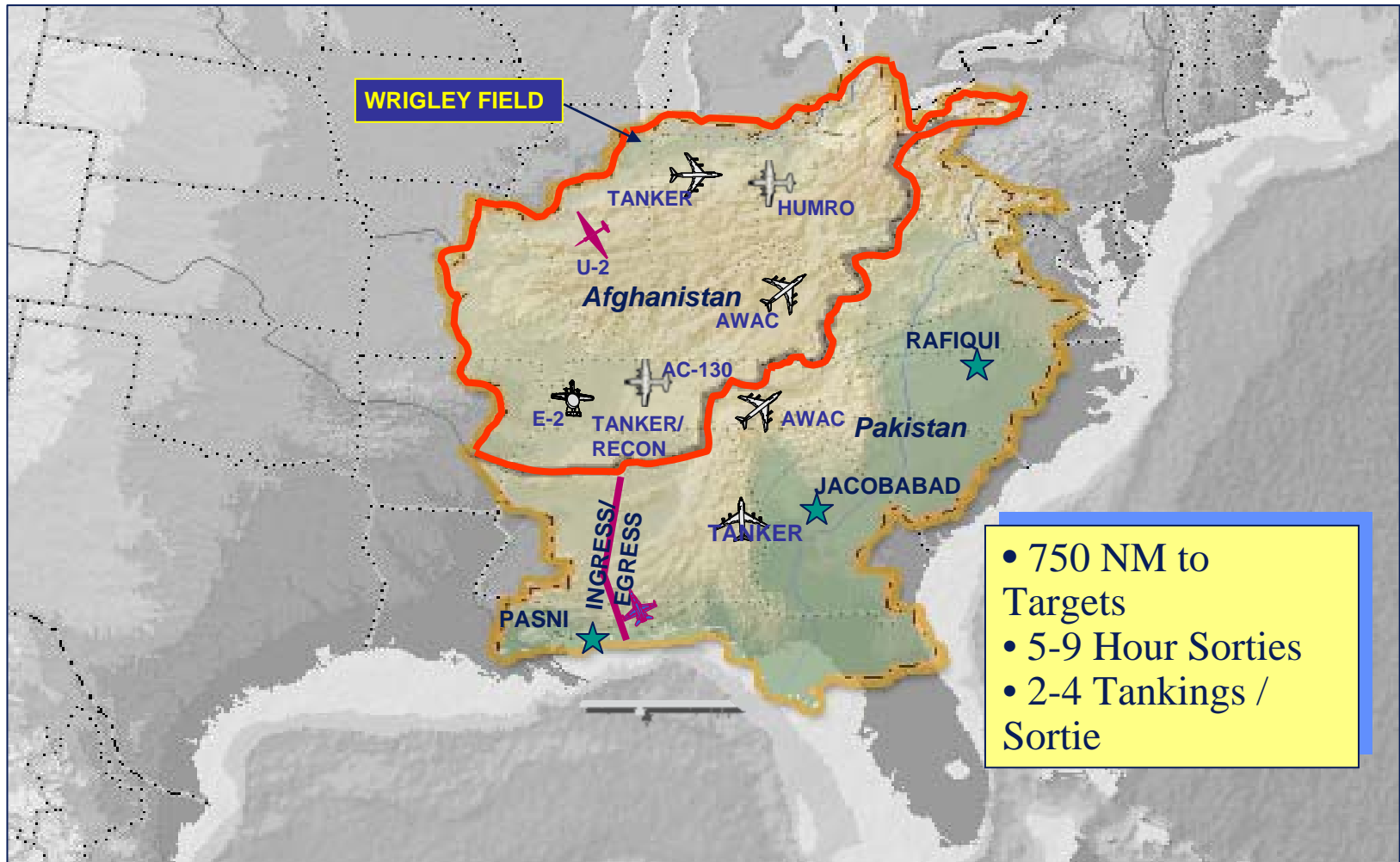
- **1 Carrier off West Coast/2 East Coast**
- **CRUDESGRU off both coasts and Hawaii**



Presence, Power and Precision...

Operation ENDURING FREEDOM

Battlespace



Program Terminations and Adjustments

Terminations Include:

- Navy Area Missile Defense Program
- LASM
- VTUAV
- Joint Modular Lighterage System

Restructured/Rephased Programs Include:

- MH-60R
- V-22
- CVN(X)
- LPD-17
- LW-155
- DD (X)

- ✓ Budget Builds on past success
 - Supports People/QOS and Readiness
- ✓ Invests in transformational capabilities and technology
- ✓ Promotes better business practices
- ✓ Adapts to the future

A sustaining level of procurement remains a challenge