

**Highlights of the  
Department of the Navy  
FY 2004 Budget  
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## **SECTION I - INTRODUCTION**

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### **OVERVIEW**

The past year has been one of tremendous accomplishment for the Department of the Navy. Our men and women operating in the air, on and under the sea, and on the ground are at the leading edge of the Global War on Terrorism (GWOT). Forward deployed, combat ready naval forces – sustained by naval and civilian shipmates around the world – are proving every day the unique value of sovereign, independent forces projecting power from the sea.

The Department's focus for the FY 2003 budget was to reduce operational risk with additional funding in the readiness and manpower accounts. We invested in retaining, recruiting, and training our Sailors and Marines to create an environment that offers opportunity, promotes personal and professional growth, and provides the kind of workforce needed for the 21<sup>st</sup> century Department of the Navy. Additionally, our emphasis in training, spare parts, ordnance, and fuel accounts enabled our Fleet to be ready, deploy at a higher state of readiness, and build a more responsive surge capability. These priorities were vital to sustaining the war on terrorism and assuring friends and allies with our global response. This focus enabled the Department develop a more responsive force—one that surged forward with the right people, to the right place, at the right time to fulfill our national security requirements.



The 2001 Quadrennial Defense Review (QDR) calls on us to give "... priority to investments that improve the ability to swiftly defeat an adversary from a forward deterrence posture." That desire is consistent with the inherent characteristics of naval forces, and that priority has been a guiding principle in the Department of the Navy program and budget for FY 2004 through FY 2009. A new document, *Naval Power 21 - A Naval Vision*, provides the conceptual framework for the maritime contribution to meeting joint capabilities. Having focused on operational risk reduction, force management, and beginning the Global War on Terrorism in the past two years, the FY 2004 President's Budget takes the first significant steps to give form to that framework, and to identify the resource planning commitments to realize them.

Winning the Global War on Terrorism is our number one priority. Our naval forces will play a leading role both in this historic struggle and in preparedness for future threats to our national security by contributing precise, persistent, and responsive striking power to the joint force, strengthening deterrence with advanced defensive technologies, and increasing operational independence through sea basing. This is the *Naval Power 21* vision.

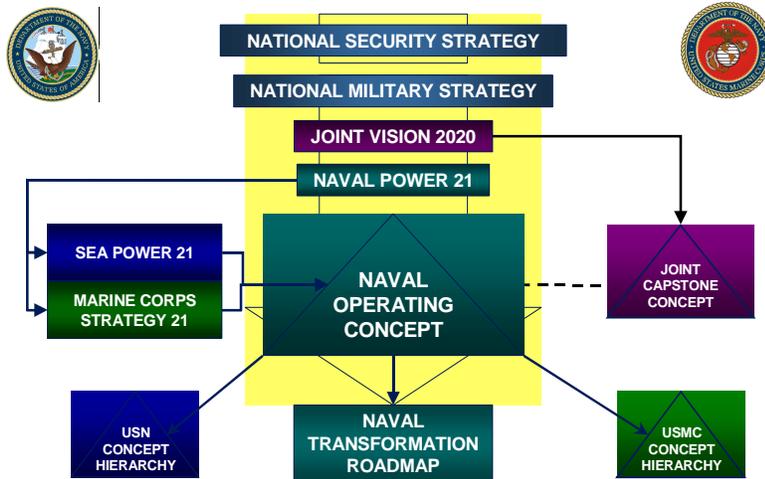
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## NAVAL POWER 21

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### The Naval Vision

As part of a joint warfighting team, the United States Navy and Marine Corps will control the sea 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. Air Force, U.S. Army 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.

The Navy and Marine Corps exist to control the seas, assure access, and project power beyond the sea, to influence events and advance American interests across the full spectrum of military operations. Above all, we 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.

## **Refining the Way Ahead: Navy and Marine Corps Strategies**

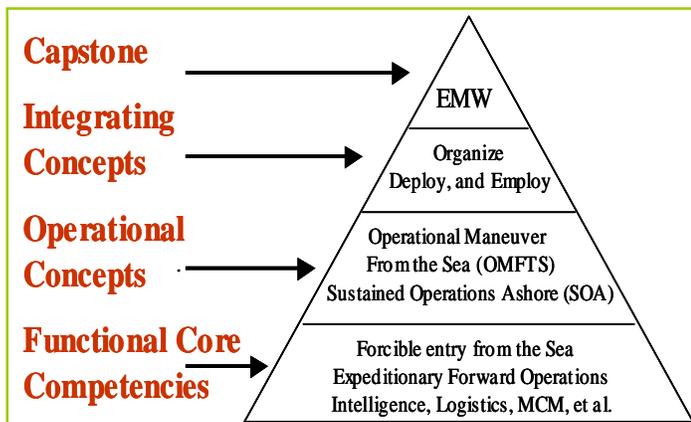
The Navy and Marine Corps have defined their respective Service strategies in *Seapower 21* and *Marine Corps Strategy 21*. These documents define their advance into the future as part of a joint force, and through their implementing capstone concepts focus efforts and resources within each Service.

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### ***MARINE CORPS STRATEGY 21***

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This strategy defines a Marine Corps tailored to answer the Nation's call at home or abroad. It provides the vision, goals and aims that support the development of enhanced strategic agility, operational reach, and tactical flexibility that enable joint, allied and coalition operations. These capabilities will continue to provide the regional combatant commanders with scalable, interoperable, combined arms Marine Air-Ground Task Forces that shape the international environment, respond quickly across the complex spectrum of crises and conflicts, and assure access or prosecute forcible entry where and when required. Fundamental to the Marine Corps vision is:



- Making Marines to win the nation's battles and create quality citizens.
- Optimizing the Corps' operating forces, support and sustainment base, and unique capabilities.
- Sustaining the enduring Navy-Marine Corps relationship.
- Reinforcing the Marine Corps' strategic partnership with the Army, Air Force, and U.S. Special Operations Command.
- Contributing to the development of joint, allied, coalition, and interagency capabilities.
- Capitalizing on innovation, experimentation, and technology.

To advance along this axis, the Marine Corps has implemented *Expeditionary Maneuver Warfare*, a capstone concept that is the union of the Marine Corps' core competencies; maneuver warfare philosophy; expeditionary heritage; sea basing; and the integrating, operational, and functional concepts by which the Marine Corps will organize, deploy and employ forces today and in the future.

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## **SEAPOWER 21**

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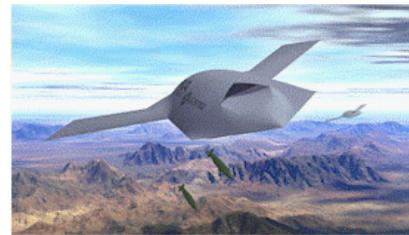
This strategy defines a Navy with three fundamental concepts: *Sea Shield*, *Sea Strike*, and *Sea Basing*, tied together and enabled by *FORCEnet*. Respectively, they enhance America's ability to project offense, project defense, and project sovereignty around the globe. This expansion of effectiveness will realize the fullest integration of the Navy-Marine Corps Team into the joint force. These enhanced naval capabilities -- as developed through the interdependent and synergistic operational concepts of Sea Strike, Sea Shield, and Sea Basing -- will produce and exploit a dispersed battlespace within which sovereign and sustainable naval, air, ground and space elements form a unified force that projects offensive power and defensive capability. These concepts will come alive in the hands of state of the art 21st century warriors enabled by *FORCEnet*, an envisioned architecture of sensors, networks, decision aids, weapons and supporting systems integrated into a single comprehensive maritime network. When combined with the capabilities of the other Services, these concepts will result in an integrated, multi-dimensional operational capability from which the joint force commander will project military power and protect joint forces.



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### ***Sea Strike***

Sea Strike is a broadened naval concept for projecting dominant and decisive offensive power from the sea in support of joint objectives. Transformational capabilities within Sea Strike are being pursued in four areas: Persistent Intelligence, Surveillance, and Reconnaissance (ISR); Time Sensitive Strike; Information Operations; and Ship-to-Objective Maneuver. This improved battlespace awareness will reduce the time needed to strike critical targets by linking precision weapons with precise targeting information and provide a dramatic increase in the precision and volume of firepower available to the joint force commander.



The transformation of Ship-to-Objective Maneuver will allow future Marine Air-Ground Task Forces (MAGTFs) to greatly increase operational tempo and flexibility by developing the ability to maneuver directly against objectives deep inland, without first establishing an initial beachhead or support bases ashore. In short, the transformational capabilities being pursued through Sea Strike integrate mobile, nodal forces and decision superiority to seize the initiative, disrupt enemy timelines, decisively defeat threats, and ensure the operational success of the joint force.

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## ***Sea Shield***

Sea Shield exploits control of the seas and forward-deployed defensive capabilities to defeat area-denial strategies, enabling joint forces to project and sustain power. The ability to extend a protective umbrella far forward will assure access, reassure allies, and protect our homeland while dissuading and deterring potential adversaries. The increasing ability of naval forces to project network centric defenses in support of the joint force generates operational freedom of action, provides full spectrum dominance, and enhances strategic stability.



Sea Shield transformational capabilities being pursued are Theater Air and Missile Defense (TAMD); Littoral Sea Control; and Homeland Defense. Over the next decade, TAMD will employ transformational technologies and concepts enabling new naval capabilities to provide networked mobile protection of joint forces, friends and allies, and critical infrastructure ashore from aircraft, cruise and ballistic missiles.

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## ***Sea Basing***

Sea Basing will provide sustainable global projection of American power from the high seas at the operational level of war. Sea Basing transformational capabilities offer the potential for secure, sovereign, and mobile assembly areas and sanctuaries for key elements of the joint force, allowing the United States and its allies to most effectively utilize the international domain of the sea as maneuver space. Sea Basing will allow positioning networked joint forces for immediate employability. It will enhance maneuver ashore by reducing the need to move in major command and control elements, heavy fire support systems, or logistical stockpiles. By locating these critical functions at sea, Sea Basing will reduce force protection requirements and demands on allied and coalition partners' infrastructure, enhance deterrence, and provide the nation with unmatched operational freedom of action.

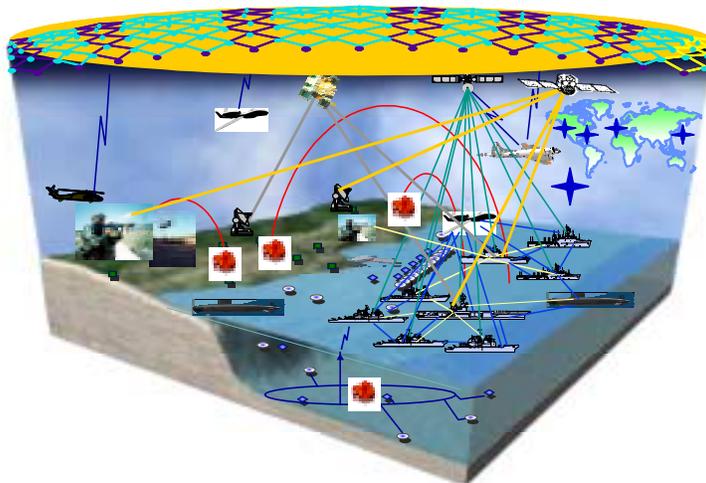
*Seapower 21* will introduce unprecedented maritime sovereign power needed by the joint forces commanders, unfettered by the politics of overflight or basing rights, borders, and boundaries.

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## ***FORCEnet***

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FORCEnet is the operational construct and architectural framework for naval warfare in the information age which integrates warriors, weapons, sensors, networks, command and control, and platforms into a networked, distributed combat force, scalable across the spectrum of conflict from seabed to space and sea to land. By exploiting existing and emerging technologies, FORCEnet enables dispersed, human, decision-makers to leverage military capabilities to achieve dominance across the entire mission landscape with joint, allied and coalition partners. FORCEnet is the implementation of network centric warfare in the naval services and will provide the means for an exponential increase in naval combat power. It will be built to conform to joint architectural frameworks, linking current and future sensors, command and control elements and weapons systems in a robust, secure, and scalable way. Information will be converted to knowledge and disseminated to a dispersed naval combat force, enabling the rapid concentration of the full power of the Sea Strike, Sea Shield, and Sea Basing concepts.



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## ***SUPPORTING OPERATIONAL INITIATIVES***

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A supporting triad of initiatives will augment those core operational concepts:

- *Sea Warrior* is the process of developing 21<sup>st</sup> century Sailors. It identifies the knowledge, skills, and abilities needed for mission accomplishment; applies a career-long training and education continuum; and employs a responsive, interactive career management system to ensure the right skills are in the right place at the right time.
- *Sea Trial* reinforces a culture of innovation and integrates emerging technologies, concepts, and spiral development techniques into an enduring process of experimentation and continual improvement.
- *Sea Enterprise* captures efficiencies by employing lessons from the business revolution to assess organizational alignment, target areas for improvement, and prioritize investments.

The naval vision and the Service strategies reflect who we are. Our enduring role as America's sea based force will permit the Navy-Marine Corps team to *assure access, fight and win, and continually transform*. We will be decisive, sustainable, responsive, and agile, with people as the absolute heart of the team. The Service strategies represented in *Seapower 21* and *Marine Corps Strategy 21* will focus our ability to transform while meeting the Nation's global security demands and forming a crucial part of our nation's joint force. We will capture business efficiencies through the Sea Enterprise initiative, and work toward an expanded naval force for the turbulent decades ahead. In a world of violent horizons, the Navy-Marine Corps team will serve America: anywhere, anytime, around the world, around the clock.

## RESOURCE TRENDS

The FY 2004 budget shifts our focus to “buy down” future risk by pursuing much needed recapitalization. The budget provides resources necessary to recapitalize and invest in transformational capabilities while at the same time, maintaining readiness, and enriching the lives of our people.

**Chart 1 - DoN Topline FY 2002-FY 2004**

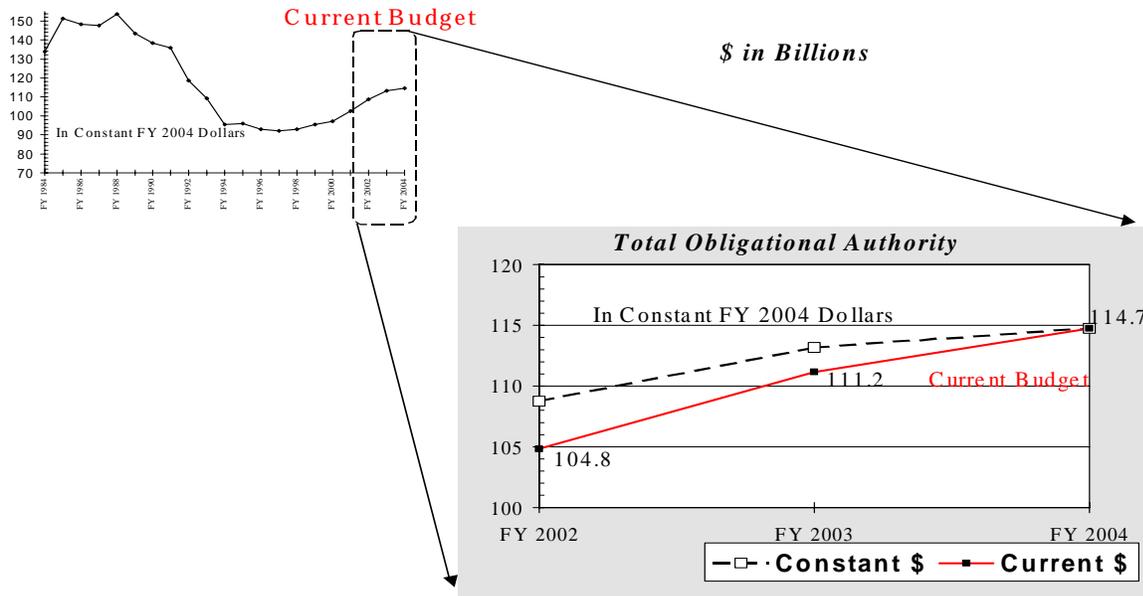


Chart 1 reflects Department of the Navy resources in both current and constant dollars from FY 2002 through FY 2004. The smaller chart provides an historical perspective in constant dollars from FY 1984 through FY 2004.

As indicated in chart 1, the budget increases by 3% in FY 2004 over FY 2003 levels. However, approximately \$2 billion of the topline increase is due to compensation in the military personnel accounts and \$1 billion is due to inflation adjustments. The remaining topline increase sustains FY 2003 growth level, but little else. The investment and development accounts for FY 2004 concentrate on minimizing future risk by devoting resources to provide new warfighting assets to the fleets.

*Naval Power 21* is the vision to deliver enhanced warfighting capabilities through new concepts, technologies, organizational initiatives, and improved acquisition processes. It is dedicated to a process of continual innovation and committed to total jointness. Among the critical challenges we face is finding and allocating resources to recapitalize our Navy and Marine Corps forces. We achieved a projected cost avoidance over \$40 billion over the future years plan by improving business and infrastructure processes; divesting of legacy force structure and programs; and improving acquisition processes through the use of

multi-year procurement contracts. This will help provide for much need recapitalization of our force structure. Indeed, the significant progress made over the past two years in Manpower and Current Readiness makes it possible to reduce future risk by placing more emphasis on Future Readiness to transform our Department for the challenges ahead.

- ✓ **Optimized, supportable future force structure**  
e.g., TACAIR integration reduces E/F and JSF total buy requirements by 497 aircraft
- ✓ **Stable, healthy industrial base**  
e.g., Shipbuilding MYP/EOQ procurements and Ship Swap
- ✓ **Technologically enabled, interoperable enterprise**  
e.g., Navy Marine Corps Intranet operating seamlessly with joint forces within Global Information Grid
- ✓ **Optimized workforce**  
e.g., Workload validation to focus best blend of military, civilian, and private-sector support on core work requirements
- ✓ **Efficient and appropriately sized infrastructure**  
e.g., BRAC/EFI complemented by Regionalization

**Chart 2 - Trendlines FY 2002-FY 2004**

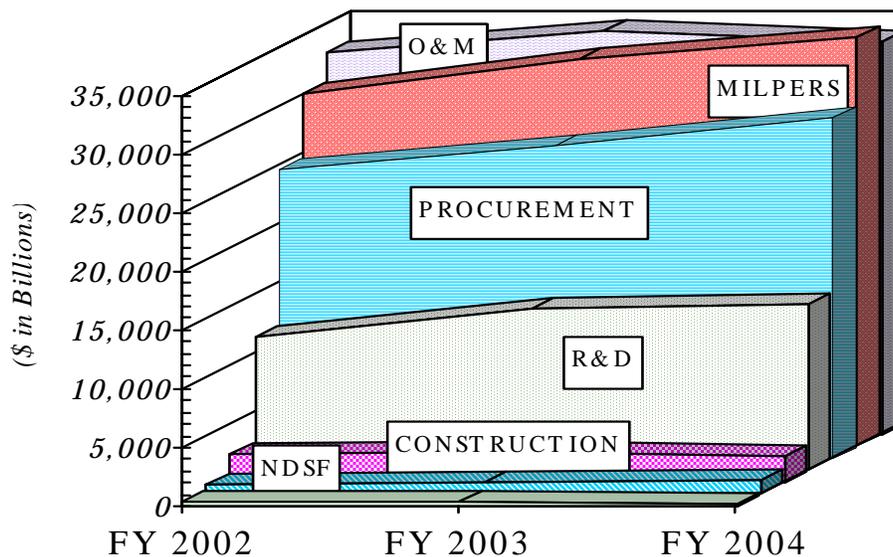


Chart 2 and Table 1 display Department of the Navy appropriations for FY 2002 through FY 2004.

As shown in Chart 2 and Table 1, the military personnel accounts have the largest increase for the FY 2004 budget largely due to pay raises, basic allowance for housing, and accruals. The increase in the investment and development accounts is the result of further improvements in recapitalization (7 ships, 100 aircraft) and transformational capabilities (i.e., CVN-21, DD(X), JSF, and Advanced Hawkeye). The Department aggressively pursued retiring aging weapon systems and accelerated force structure decommissionings to generate savings to buy down future risk. The operating account reductions are largely attributable to one-time base support Anti-terrorism Force Protection projects in FY 2003 and a working capital fund credit that offset the FY 2004 appropriation requirements.

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**APPROPRIATION SUMMARY FY 2002 - 2004**


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**Table 1****Department of the Navy****Appropriation Summary FY 2002 - 2004***(In Millions of Dollars)*

	FY 2002	FY 2003	FY 2004
Military Personnel, Navy	20,281	\$21,905	25,292
Military Personnel, Marine Corps	7,603	8,492	9,559
Reserve Personnel, Navy	1,661	1,907	-
Reserve Personnel, Marine Corps	467	554	-
Operation & Maintenance, Navy	28,285	29,104	28,288
Operation & Maintenance, Marine Corps	2,965	3,521	3,407
Operation & Maintenance, Navy Reserve	1,013	1,208	1,172
Operation & Maintenance, MC Reserve	140	179	174
Emergency Response Fund, Defense	3,058	-	-
Environmental Restoration, Navy	-	256	256
Kaho'olawe Island	76	75	-
Aircraft Procurement, Navy	7,993	8,648	8,788
Weapons Procurement, Navy	1,413	1,833	1,992
Shipbuilding & Conversion, Navy	9,278	9,073	11,439
Other Procurement, Navy	4,173	4,535	4,679
Procurement, Marine Corps	942	1,358	1,071
Procurement of Ammunition, Navy/MC	718	1,146	922
Research, Development, Test & Evaluation, Navy	11,379	13,631	14,107
National Defense Sealift Fund	789	928	1,063
Military Construction, Navy	1,139	1,305	1,133
Military Construction, Naval Reserve	53	75	28
Family Housing, Navy	1,165	1,141	1,039
Navy Working Capital Fund	-	40	130
Base Realignment and Closure	247	270	181
<b>TOTAL</b>	<b>\$104,836</b>	<b>\$111,184</b>	<b>\$114,720</b>

Note: Totals may not add due to rounding.

Table 2 displays a track of changes to the Department of the Navy appropriations for FY 2003, beginning with the FY 2003 President's Budget request. The largest change is the funding for extraordinary Cost of War estimates. These amounts were requested separately, but appropriated in the appropriate account for execution. Transfers reflect known reprogramming requirements, based on fact of life program changes. These include transfers to reflect changes in foreign currency exchange rates, public private venture initiatives, and other internal realignments needed to execute programs in accordance with congressional intent. Prior approval reprogramming actions, financed primarily by inflation reductions, to fund the Department's Training Resource Strategy (TRS) and to convert SSBN Trident submarines to SSGN cruise missile land attack submarines are also included.

## ***DERIVATION OF FY 2003 ESTIMATES***

***Table 2***

***Department of the Navy***

***Derivation of FY 2003 Estimates***

*(In Millions of Dollars)*

	FY 2003 President's Budget	Congressional Action		Prior Year	Proposed Transfers	FY 2003 Current Estimate
		DERF Transfers	Adjust ments			
Military Personnel, Navy	22,094	-	-173		-16	21,905
Military Personnel, Marine Corps	8,559	1	-70		2	8,492
Reserve Personnel, Navy	1,927	-	-20		-	1,907
Reserve Personnel, Marine Corps	558	-	-4		-	554
Operation & Maintenance, Navy	29,029	627	-729	63	114	29,104
Operation & Maintenance, Marine Corps	3,358	259	-75	2	-23	3,521
Operation & Maintenance, Navy Reserve	1,166	74	-10		-22	1,208
Operation & Maintenance, MC Reserve	186	-	-		-7	179
Environmental Restoration, Navy	257	-	-1		-	256
Kaho'olawe Island	25	-	50		-	75
Aircraft Procurement, Navy	8,204	366	170		-92	8,648
Weapons Procurement, Navy	1,833	116	-95		-21	1,833
Shipbuilding & Conversion, Navy	8,191	-	775		107	9,073
Other Procurement, Navy	4,347	125	87		-24	4,535
Procurement, Marine Corps	1,288	45	42		-17	1,358
Procurement of Ammunition, Navy/MC	1,015	145	-2		-12	1,146
Research, Development, Test & Eval, Navy	12,502	165	1,113		-149	13,631
National Defense Sealift Fund	934	-	8		-14	928
Military Construction, Navy	895	221	189		-	1,305
Military Construction, Naval Reserve	52	7	16		-	75
Family Housing, Navy	1,244	-	-5		-98	1,141
Navy Working Capital Fund	424	-	-384		-	40
Base Realignment and Closure	261	-	9		-	270
<b>TOTAL</b>	<b>\$108,349</b>	<b>2,151</b>	<b>891</b>	<b>65</b>	<b>-272</b>	<b>\$111,184</b>

Note: Totals may not add due to rounding.

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## ***PERFORMANCE MEASUREMENT***

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

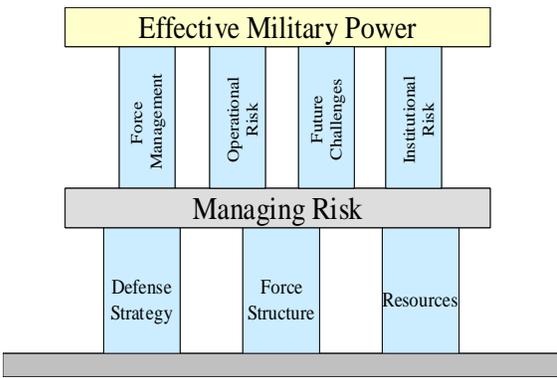
The President has stated that this Administration is “dedicated to ensuring that the resources entrusted to the federal government are well managed and wisely used.” To achieve this, the strategy proposed in the President’s Management Agenda focuses on five basic tenets: (1) Budget and Performance Integration, (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 “red” on current status for budget and performance integration and “yellow” for progress. The FY 2004 Budget for the DoN associates performance metrics for twenty percent of requested resources. In an effort to incorporate performance metrics into the budget process, the Office of Management and Budget (OMB) has instituted Program Performance Assessment which identify programs that will be measured in “getting to green” and providing a rating system that is consistent, objective, credible, and transparent. The initial Department of the Navy programs reviewed in FY 2004 are outlined in Chart 3. Programs were assessed and evaluated across a wide range of issues related to performance, and overall Department of the Navy program areas reviewed scored an average of 72 percent. Amplifying metric information related to these programs can be found in detailed justification materials supporting the FY 2004 budget submission.

### Chart 3 - Performance Scorecard

I. Budget and Performance Integration										
	Program Purpose & Design	Strategic Planning	Program Mgmt	Program Results	Weighted Score	Overall Rating	DoN Funding			
							FY02	FY03	FY04	Programs Included
Air Combat	100%	100%	72%	67%	88%	Moderately Effective	4,045	5,307	5,538	F/A-18 E/F, JSF
Shipbuilding	80%	90%	73%	47%	64%	Adequate	9,798	9,457	12,161	New construction
Basic Research	100%	89%	84%	80%	86%	Effective	395	412	457	6.1
Housing	100%	100%	71%	67%	78%	Moderately Effective	4,669	4,740	5,150	FH, BAH
Communications Infrastructure	80%	78%	40%	44%	54%	Results Not Demonstrated	438	939	1,261	NMCI, Base level comm
Recruiting	80%	100%	71%	75%	78%	Moderately Effective	860	853	869	O&M, MilPers
Facilities SRM/Demolition	80%	100%	14%	60%	59%	Adequate	1,813	2,378	2,031	O&M
<b>DoN Average Scores/Total Funding</b>	<b>89%</b>	<b>94%</b>	<b>61%</b>	<b>63%</b>	<b>72%</b>		<b>22,018</b>	<b>24,086</b>	<b>27,467</b>	

- 2. **Strategic Management of Human Capital**
  - Sea Warrior
- 3. **Competitive Sourcing**
  - 44,176 A-76 Study Positions (-3,932)
  - 76,987 FA/BPR Study Positions (+9,678)
  - 121,163 total positions reviewed (+5,746)
- 4. **Financial Management Improvement**
  - FM Modernization Program (DOD-wide)
  - Enterprise Resource Planning
- 5. **Expanding Electronic Government**
  - Dedicated eBusiness Ops Office
  - Mandated reverse auctions

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 embrace America's freedoms through our safety at home and abroad. As we tackle the challenge of the war abroad, 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 sustained 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.

## ***SECTION II – CURRENT OPERATIONAL PERFORMANCE***

As stated Naval Power 21, the Navy and Marine Corps exist to control the seas, assure access and project power beyond the sea to influence events and advance American interests. Our battle force ships, aviation units and Marine forces provide the foundation for the National Military Strategy of shaping the international environment and responding to the full spectrum of crises. Our budget provides for operational levels which will maintain the high personnel and unit readiness necessary to conduct the full spectrum of joint military activities. The success of our Fleet in the war against terrorism attests to progress made in current readiness.



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 requirements are often met through participation with allies and other foreign countries, in joint exercises, port visits, and exchange programs. Joint/international exercises planned for FY 2004 include Baltops, Cobra Gold, and Rapid Alliance.

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 Persian Gulf, the Balkans and Afghanistan/Northern Arabian Sea as part of Operation Enduring Freedom. On any given day, nearly 47,000 Sailors and 32,000 Marines on nearly 110 ships and bases are deployed to locations around the world. At times of heightened operations, including the Global War on Terrorism, these numbers can surge higher.

### ***Chart 4 – Navy/Marine Corps Today***

#### ***Current Navy operations:***

- 133 Ships deployed
  - 199 ships underway
- 12 Submarines Deployed
  - 27 Submarines underway
- 5,476 activated reserves



#### ***Current Marine Corps operations:***

- 3 MEUs deployed
  - 2 MEUs pre-deployment
- 2 F/A 18-Squadrons deployed aboard CVs
- ~8,729 activated reserves

Chart 4 – Reflects Navy/Marine Corps operations as of 29 Jan 2003.

## **SHIP OPERATIONS**

### **Battle Force Ships**

The budget provides for a deployable Battle Force of 292 ships for FY 2004 as shown in table 3. This level will support 12 aircraft carrier battle groups and 12 amphibious ready groups.



In FY 2004, 6 ships (four Arleigh Burke Class Guided Missile Destroyers and two Fast Attack Submarines (one Virginia and one Seawolf class)) will be commissioned, while 15 ships (two Landing Ship Docks, two Fast Attack Submarines, two Ticonderoga Class Guided Missile Cruisers, five Spruance Class Destroyers, and 4 TAGOS MSC support ships) will be inactivated. Additionally, two more SSBNs are being converted to SSGNs in FY 2004.

Although operating tempo remains high and force structure drops temporarily below QDR goals, the current and projected plan does not in the main, affect the fleets' ability to fulfill deployment and program requirements.

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

	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
Aircraft Carriers	12	12	12
Fleet Ballistic Missile Submarines	18	16	14
Guided Missile (SSGN) Submarines	0	2	4
Surface Combatants	116	106	103
Nuclear Attack Submarines	54	54	54
Amphibious Warfare Ships	39	37	35
Combat Logistics Ships	33	33	33
Mine Warfare Ships	17	17	17
Support Ships	24	24	20
<b>Battle Force Ships</b>	<b>313</b>	<b>301</b>	<b>292</b>

**OPTEMPO**

**Active Forces**

For FY 2004, 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 budget provides funds necessary to achieve the Department’s operational tempo (OPTEMPO) goal of 54 underway days per quarter for deployed forces and 28 underway days per quarter for non-deployed forces as shown in Chart 5. The funding level supports the Global Naval Forces Presence Plan (GNFPP) in terms of carrier battle group (CVBG) and amphibious ready group (ARG) requirements, as required by national security policy. Costs for extraordinary contingency operations, funded through the Defense Emergency Response Fund appropriations in FY 2002, are not included in this budget.



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, refresher training, and various other training exercises. Non-deployed fleet OPTEMPO levels are considered the minimum required for maintaining a combat ready and rapidly deployable force.

**Chart 5 - Active Force OPTEMPO**

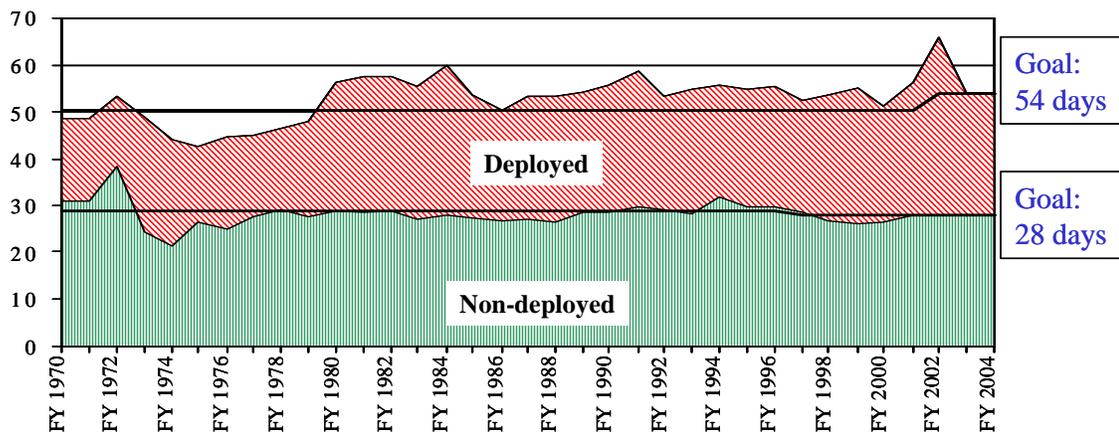


Chart 5 illustrates historical and budgeted OPTEMPO. The horizontal lines are the deployed and non-deployed budgeted goals. Fluctuations from the goals reflect real world operations.

**Reserve Forces**



The Naval Reserve Force continues to actively augment and support the active force while achieving personnel tempo goals. In FY 2004, the Naval Reserve will consist of 15 battle force ships with 9 FFGs, 5 MCMs and 1 MHC. During FY 2004, the USS Crommelin (FFG-37) will be transferred from the active component to the Reserves, bringing the Reserve frigate inventory up to nine.

Table 4 reflects Reserve battle force ships and both non-deployed and deployed steaming days due to operational requirements. The elimination of an OPTEMPO goal for deployed mine warfare forces is a result of the decommissioning of the USS Inchon (MCS-12). The remaining MCM and MHC ship classes are categorized as non-deployed Reserve forces.

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

	FY 2002	FY 2003	FY 2004
Surface Combatants	8	8	9
Amphibious Ships	1	0	0
Support/Mine Warfare	6	6	6
<b>Reserve Battle Force Ships*</b>	<b>15</b>	<b>14</b>	<b>15</b>
<b>Steaming Days Per Quarter</b>			
Mine Warfare	24	28	28
FFGs/LST	18	18	18

\* Also included in Table 3

**Mobilization**

Mobilization forces provide rapid response to unforeseen 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. DoN O&M appropriations reimburse the biennial exercise costs of the Hospital Ships (T-AH) and the

Aviation Maintenance Ships (T-AVB), 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. Although there is a slight reduction in the number of prepositioning and surge ships, we still have a sufficient surge capacity to meet requirements.

Table 5 displays the composition of Navy mobilization forces.

**Table 5**

**Department of the Navy  
Strategic Sealift (# of ships)**

	FY 2002	FY 2003	FY 2004
<b>Prepositioning Ships:</b>			
Maritime Prepo Ships (Navy O&M)	13	13	13
Maritime Prepo (Enhanced) (Navy O&M)	3	3	3
CENTCOM Ammo Prepo (Navy O&M)	1	1	1
Army Prepo Ships (Army O&M)	15	14	14
Air Force Prepo Ships (Air Force O&M)	3	3	3
DLA Prepo Ships (DWCF)	3	2	2
<b>Surge Ships:</b>			
Aviation Logistics Support (NDSF)	2	2	2
Hospital Ships (NDSF)	2	2	2
Fast Sealift Ships (NDSF)	8	8	8
Ready Reserve Force Ships (NDSF)	70	63	63
Large Medium-Speed RORO Ships (NDSF)	11	11	11
Prepositioning Capacity (millions of square feet)	4.4	4.3	4.3
Surge Capacity (millions of square feet)	9.6	9.4	9.4
Total Sealift Capacity (millions of square feet)	14.0	13.7	13.7

**Ship Depot Maintenance**

The Department's active ship depot maintenance budget supports 96.2% of the notional O&M requirement and 100% of the SCN refueling overhaul requirement in FY 2004. The stress of maintaining current OPTEMPO on an aging force is evident in increasing depot maintenance requirements, resulting in depot maintenance availabilities that increasingly exceeding notional costs.

FY 2004 Budget Summary		
	Goal	Budget
Submarines	98.5%	98.5%
Carrier	98.5%	98.5%
Surface	91.6%	91.6%

The entire FY 2003 and 2004 ship maintenance and annual deferred maintenance amounts reflected in Tables 6a/6b are executable. Annual deferred

maintenance is maintenance 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 daily rates, 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 Tables 6a/6b reflect only those individual years' deferred maintenance, not a cumulative amount.



The Department's reserve ship depot maintenance budget supports 94% of the notional requirement in FY 2004, which meets the Department's goal. As with the active counterparts, the Department is implementing the same initiatives to reduce maintenance burdens and costs on Naval Reserve Force ships. Tables 6a/6b display funding for active and reserve ship depot maintenance.

**Table 6a**  
**Department of the Navy**  
**Active Forces Ship Depot Maintenance**  
*(Dollars in Millions)*

	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
Ship Depot Maintenance <sup>1/2/</sup>	\$3,143	\$3,456	\$3,568
Ship Intermediate Maintenance	391	397	0
Depot Operations Support	1,336	1,410	1,088
<b>Total: Ship Maintenance (O&amp;MN)</b>	<b>\$4,870</b>	<b>\$5,263</b>	<b>\$4,656</b>
<b>Percentage of Requirement Funded</b>	96.6%	96.1%	96.2%
CVN Overhauls (SCN)	\$1,275	\$217	\$368
SSN Refueling Overhauls (SCN)	\$543	\$490	\$164
% of SCN Requirement Funded	100%	100%	100%
<b>Annual Deferred Maintenance</b>	\$197	\$144	\$135

<sup>1/</sup> Includes Pearl Harbor Shipyard/IMA budgeted in Depot Ops Support in FY02.

<sup>2/</sup> Reflects consolidation of intermediate and depot maintenance in FY04 as a result of regional maintenance initiative.

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

	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
Reserve Ship Depot Maintenance <sup>2/</sup>	\$65	\$80	\$84
Reserve Ship Intermediate Maintenance	11	12	0
Depot Operations Support	2	3	3
<b>Total: Ship Maintenance (O&amp;MNR)</b>	<b>\$67</b>	<b>\$83</b>	<b>\$87</b>
<b>Percentage of Requirement Funded</b>	92%	95%	94%
<b>Annual Deferred Maintenance</b>	\$10	\$6	\$8

<sup>2/</sup> Reflects consolidation of intermediate and depot maintenance in FY04 as a result of regional maintenance initiative.

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## AIR OPERATIONS

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### *Active Tactical Air Forces*

This budget provides for the operation, maintenance and training of ten active Navy carrier air wings 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). Tactical air 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. Anti-Submarine Warfare squadrons locate, destroy and provide force protection against sub-surface threats, and conduct maritime surveillance operations. Fleet Air Support squadrons provide vital fleet logistics and intelligence support. In Fleet Air Training, 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.



In FY 2004, we begin implementing the new Navy-Marine Corps TACAIR integration plan to achieve an optimum balance of efficiency and warfighting effectiveness. The first phase of the plan will integrate one Marine strike fighter squadron (F/A-18) into a CVW and one Navy strike fighter squadron into the Marine Unit Deployment Plan (UDP) rotation. In addition, two Reserve strike fighter squadrons will decommission in FY 2004, one each from the Navy and Marine Reserve inventory. All CVW F/A-18 squadrons will be reduced from 12 to 10 Primary Authorized Aircraft (PAA) with the exception of Navy F/A-18C squadrons transitioning to F/A-18E/F squadrons and F/A-18 squadrons in the UDP. PAA for these squadrons will remain at 12 through the FYDP.



By the end of the FYDP, eight Marine F/A-18 squadrons will be integrated into CVWs, and three Navy F/A-18 squadrons will be integrated into the UDP. By the completion of the integration plan and JSF transition, ten CVWs will include a Marine F/A-18 squadron, and 3 Navy F/A-18 squadrons will be participating in the UDP. A total of five F/A-18 squadrons will decommission: three Active Navy, one Navy Reserve, and one Marine Reserve. All JSF squadrons will consist of 10 aircraft.

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## ***Reserve Air Forces***

Reserve aviation continues to provide vital support to the Nation and to the active force in FY 2004. 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. In FY 2004 the Navy Reserve will decommission two F/A-18 "Hornet" squadrons, one Navy and one Marine. This reduction in force structure is part of the Navy's TACAIR integration initiative. The Navy Reserve will also transfer one C-20G aircraft to the active component.

Table 7 reflects active and reserve aircraft force structure.

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

	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
<b><u>Active Forces</u></b>	<b>18</b>	<b>18</b>	<b>18</b>
Navy Carrier Air Wings	10	10	10
Marine Air Wings	3	3	3
Patrol Wings	3	3	3
Helicopter Anti-Submarine Light Wings	2	2	2
<b><u>Reserve Forces</u></b>	<b>5</b>	<b>5</b>	<b>5</b>
Tactical Air Wings (Navy)	1	1	1
Patrol/ASW Air Wings	1	1	1
Helicopter Air Wing	1	1	1
Logistics Air Wing	1	1	1
Marine Air Wing	1	1	1
<b><u>Primary Authorized Aircraft - Active <sup>1/</sup></u></b>	<b>2,481</b>	<b>2,496</b>	<b>2,462</b>
Navy	1,461	1,487	1,458
Marine Corps	1,020	1,009	1,004
<sup>1/</sup> Does not include trainer or TACAMO aircraft.			
<b><u>Primary Authorized Aircraft - Reserve</u></b>	<b>406</b>	<b>408</b>	<b>395</b>
Navy	220	222	216
Marine Corps	186	186	179

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## Aircraft OPTEMPO



FY 2004 will be the second year in which the Department will measure aviation readiness in terms of Status of Resources and Training System (SORTS) ratings vice Primary Mission Readiness (PMR). To provide adequately trained aircrews, Carrier Airwings (CVWs) need to attain an average T-rating (the training component of SORTS) of T-2.2 throughout the Inter-Deployment Training Cycle (IDTC). This level of training will allow CVWs to reach a training level of T-2.0 six months prior to deployment and average a readiness level of T-1.3 while deployed. TACAIR/ASW funded hours will now be defined in terms of the T-rating achieved. This requirement encompasses not only training, but operational, maintenance and support hours as well. Aircraft OPTEMPO in FY 2004 is sufficient to support the peacetime sustained requirement.

As a result of supplemental funding in FY 2002, deploying squadrons achieved higher readiness levels. Aircrews flew an average of 23.1 hours per month, which is almost 2 hours above goal. These readiness levels provide the opportunity for the Department to sustain adequate T-ratings through FY 2003 and FY 2004.



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 repricing, which adds significantly to the cost per flying hour, is a manifestation of the Department's aging aircraft inventory, which requires more maintenance per hour and increasing failure rates on major components. The FY 2004 budget represents a method to forecast Aviation Depot Level Repairable (AVDLR) cost per hour based on analysis done by the Center for Naval Analysis (CNA). CNA studied AVDLR demand data from FY 1992 to FY 1999, and through analyses of hours flown and aircraft age, determined that AVDLR growth could be re-forecasted based on type model series-specific demand rates ranging from 1% to 30% per year. The resulting increase in cost per hour in FY 2004 is significant.

Consistent with recent execution experience, FRS operations are budgeted at 92% of the requirement to enable pilots to complete the training syllabus. Student levels are established by authorized TACAIR/ASW force level requirements, aircrew personnel rotation rates and student output from the Undergraduate Pilot/Naval Flight Officer training program. FAS requirements have been re-evaluated to reflect the current FAS mission. Funding now

provides sufficient hours to meet 96% of the total hours required. The Navy Reserve is budgeted at 85% of the specified hours to support adequately trained aircrews in FY 2003 and 100% of the required hours in FY 2004 as indicated in Table 8. This increase in percent funded is reflective of a change in requirements determination. Chart 6 displays historical flying hours.

**Chart 6 - Flying Hour Program**

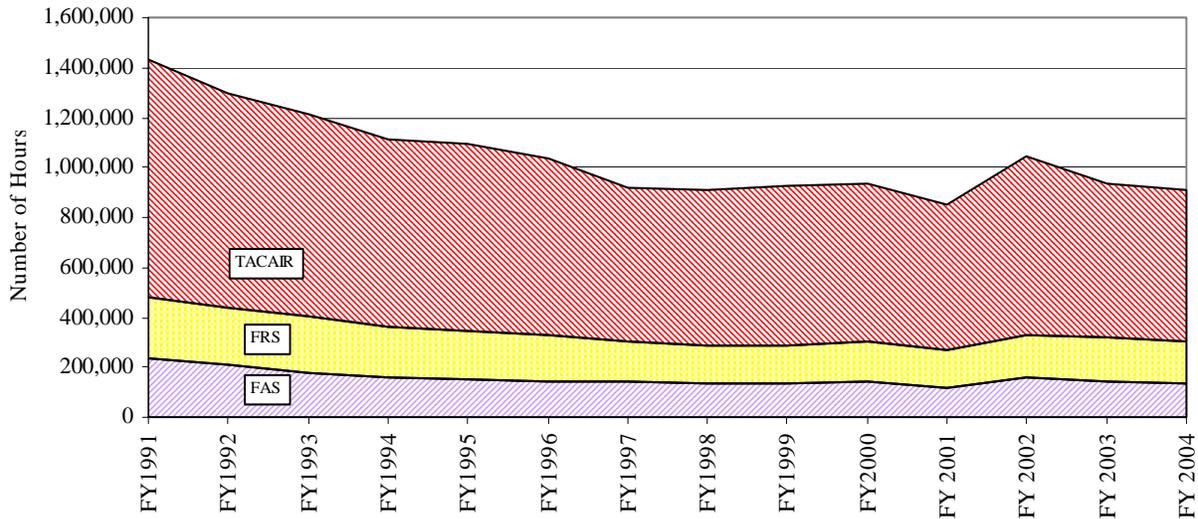


Table 8 displays active and reserve flying hour readiness indicators.

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

	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
<b>Active</b>			
TACAIR (%) <sup>1/2/</sup>	86%	T-2.2	T-2.2
Goal <sup>1/2/</sup>	83%	T-2.2	T-2.2
Fleet Readiness Squadrons (%)	92%	92%	92%
Goal	92%	92%	92%
Fleet Air Support (%)	83%	96%	96%
Goal	83%	96%	96%
Monthly Flying Hours per Crew (USN & USMC)	23.1	20.8	20.8
<sup>1/</sup> PMR in FY 2002, average T-rating in FY 2003-2004			
<sup>2/</sup> Includes 2% simulator contribution in FY 2002			
<b>Reserve</b>			
Reserves (%) <sup>1/2/</sup>	87%	85%	100%
Goal <sup>1/2/</sup>	87%	87%	100%
Monthly Flying Hours per Crew (USNR & USMCR)	11	11	11
<sup>1/</sup> PMR in FY 2002, % requirement in FY 2003-2004			
<sup>2/</sup> Includes .25% simulator contribution in FY 2002 for Reserves			

## Aircraft Depot Maintenance

The active and reserve aircraft depot maintenance programs fund major repair 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 active and reserve 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 net bare firewalls and fill 90% of the Type Model Series (TMS) RFI engine spares pools. Other depot maintenance refers to the depot level repair of aeronautical components for the aircraft systems and equipment under direct Contractor Logistics Support (CLS).



The Department's budget for FY 2004 is sufficient to achieve the active and reserve engine and airframe CNO readiness goals for deployed and non-deployed squadrons. To achieve the readiness goals, the Department has significantly increased the aircraft depot maintenance accounts above the FY 2003 funding level which will result in deployed squadrons having sufficient aircraft to meet inter-deployment training cycle requirements and mission capable status prior to and during deployment. Non-deployed squadrons will also have sufficient aircraft to satisfy post deployment readiness requirements. Post deployment readiness requirements are necessary to ensure that an adequate supply of airframes and engines are available to support squadron and air wing training exercises. These exercises include both inter-service air-to-air and air-to-ground tactical and missile firing training events.



To support a wide range of fleet operations and training, the Navy has targeted a 73% aircraft Mission Capable (MC) rate and a 56% Full Mission Capable (FMC) rate. This reflects both deployed and non-deployed operational aircraft trends.

Percent Navy Aircraft Mission Capable/Fully Mission Capable (MC/FMC)				
	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>Goal</u>
MC Aircraft	65	73	73	73
FMC Aircraft	50	56	56	56

Tables 9a and 9b summarize Active and Aircraft Depot Maintenance.

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**Table 9a**
**Department of the Navy****Active Forces Aircraft Depot Maintenance***(Dollars in Millions)*

	<b>FY 2002 % at Goal</b>	<b>FY 2003 % at Goal</b>	<b>FY 2004 % at Goal</b>
Airframes	\$543	\$455	\$561
Engines	377	278	364
Components: Other Depot Maintenance	44	38	55
<b>Total: Active Aircraft Depot Maintenance</b>	<b>\$964</b>	<b>\$771</b>	<b>\$980</b>

**Airframes**

Deployed Squadrons meeting goal of 100% PAA	158	100%	160	100%	172	100%
Non-Deployed Squadrons meeting goal of 90% PAA	179	100%	173	96%	155	100%

**Engines**

Engine TMS meeting Zero Bare Firewall goal	67	100%	71	100%	75	100%
Engines TMS meeting RFI Spares goal of 90%	67	100%	62	87%	75	100%

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**Table 9b**
**Reserve Forces Aircraft Depot Maintenance***(Dollars in Millions)*

	<b>FY 2002 % at Goal</b>	<b>FY 2003 % at Goal</b>	<b>FY 2004 % at Goal</b>
Airframes	\$82	\$93	\$104
Engines	34	38	34
<b>Total: Reserve Aircraft Depot Maintenance</b>	<b>\$116</b>	<b>\$131</b>	<b>\$138</b>

**Airframes**

Non-Deployed Squadrons meeting goal of 90% PAA	67	100%	68	100%	66	100%
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**Engines**

Engine TMS meeting Zero Bare Firewall goal	37	100%	35	100%	35	100%
Engine TMS meeting RFI spares goal of 90%	37	100%	35	100%	35	100%

**Components: Other-Depot Maintenance**

Funded Requirements	N/A	N/A	N/A
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**Also refer to Appendix A for more information:**

	<b>Table</b>
Operation and Maintenance, Navy	A-5
Operation and Maintenance, Navy Reserve	A-8
National Defense Sealift Fund	A-17
Defense Emergency Response Fund	A-22

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## **MARINE CORPS OPERATIONS**

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### ***Marine Corps Active Operations***

This budget supports the Marine Corps Operating Forces comprised of three active Marine Expeditionary Forces (MEF). Each MEF consists of a headquarters command element, one ground division, one airwing, and one force service support group.



MEFs provide highly trained forces that are fully prepared to execute their charter as a versatile expeditionary force in readiness, capable of rapid response to global contingencies. The inherent flexibility of the MEF organization, combined with our Maritime Prepositioned Force (MPF) assets, allows for the rapid deployment of appropriately sized and equipped forces. These

forces possess the requisite firepower and mobility needed to achieve success across the full operational spectrum in either joint or independent operations.

This budget continues funding for the 4th Marine Expeditionary Brigade (Anti-Terrorism) (4<sup>th</sup> MEB(AT)) to detect, deter, defend, and conduct initial incident response to combat the threat of worldwide terrorism. The budget also includes funding for an increased readiness posture for Marine Operating Forces. It continues the fielding of improved combat equipment and clothing for the individual Marine. In Afghanistan, light, agile, and self-sustained Marines from the 15<sup>th</sup> and 26<sup>th</sup> Marine Expeditionary Units (MEUs) established a formidable presence in an austere,



hostile environment where identification of combatants and noncombatants bordered on indistinguishable. Their forward presence provided security and stability for the local populace, while assuring the continued success of Operation Enduring Freedom on Afghan soil and providing continued access for future follow-on forces.

Additionally, this budget supports requirements for recruit training, 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 also continues distance learning program efforts to reduce the training pipeline, thereby increasing manning levels in the operating forces.

Table 10 displays Marine Corps land forces.

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

	FY 2002	FY 2003	FY 2004
Number of Marine Expeditionary Forces	3	3	3
Number of Marine Expeditionary Brigades	4	4	4
Number of Battalions	70	71	71

**Marine Corps 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 Marine Corps Support Command. The Department’s FY 2004 budget ensures that the readiness of the Reserve Force will be maintained by providing increased funding for the Corrosion Control and Coating program. The budget also includes additional funding for environmental compliance projects and economic analysis in support of scheduled Military Construction projects.



<b><u>Also refer to Appendix A for more information:</u></b>	<b><u>Table</u></b>
Operation and Maintenance, Marine Corps	A-6
Operation and Maintenance, Marine Corps Reserve	A-8
Defense Emergency Response Fund	A-22

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## PEOPLE

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Trained and adequately compensated manpower is the most important resource in our readiness equation. 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 and are among our biggest challenges as a Department. Meeting these challenges is essential to long-term effectiveness, and the Department continues to focus on three fronts: recruiting the right people, retaining the right people, and reducing attrition. We continue to dedicate resources to those programs best suited to ensuring the proper

combination of grade, skill, and experience in the force. The price of a highly-skilled, all-volunteer force in today's environment is increasing.

Military Personnel FY 2004 budget estimates include a basic pay raise of 2.0%, and a targeted pay raise of 1.2% to 4.25% for all military personnel pay grades except E-1. The combined effect is reflected in Chart 7. We continue to explore other avenues to get more Sailors and Marines to the reenlistment decision point, motivating them to remain for a career. For example, Basic Allowance for Housing (BAH) programs have been funded to effect the transition to market-based rates, to fund anticipated future housing rate increases, and to reduce out-of-pocket expenses from 7.5% in FY 2003 to 3.5% in FY 2004.

The Personnel Tempo (PERSTEMPO) program proposal would amend legislative language by eliminating the 182-day and 220-day thresholds while retaining the 401-day threshold as the single criteria for high deployment pay. It would also replace the current high deployment per diem amount of \$100 to a monthly High Deployment Allowance of up to \$1,000. Currently, all PERSTEMPO payments are under a national security waiver.



**Chart 7 – FY 2004 Proposed Pay Raise**

PAY GRADE	Percentage Changes in Basic Pay												
	YEARS OF SERVICE												
	<4	4	6	8	10	12	14	16	18	20	22	24	26
<b>COMMISSIONED OFFICERS</b>													
O-10	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
O-9	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
O-8	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
O-7	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
O-6	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
O-5	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
O-4	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
O-3	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
O-2	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
O-1	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
<b>COMMISSIONED OFFICERS WITH OVER 4 YEARS ACTIVE SERVICE AS ENLISTED MEMBERS</b>													
O-3E	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
O-2E	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
O-1E	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
<b>WARRANT OFFICERS</b>													
W-5	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
W-4	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
W-3	3.70%	3.70%	3.70%	3.70%	3.70%	5.75%	5.75%	5.75%	5.75%	3.70%	3.70%	3.70%	3.70%
W-2	3.70%	3.70%	3.70%	5.50%	5.50%	5.50%	5.50%	5.50%	3.70%	3.70%	3.70%	3.70%	3.70%
W-1	3.70%	3.70%	5.25%	5.25%	5.25%	5.25%	5.25%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
<b>ENLISTED MEMBERS</b>													
E-9	3.70%	3.70%	3.70%	3.70%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	6.00%	6.25%	
E-8	3.70%	3.70%	3.70%	3.70%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%
E-7	3.70%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
E-6	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%	3.70%	3.70%	3.70%	3.70%	3.70%
E-5	4.60%	4.60%	4.60%	4.60%	4.60%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
E-4	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
E-3	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
E-2	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
E-1	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

**Navy**

We are winning the battle for people our most valuable asset! We have invested in retaining, recruiting, 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 battle group units at least six months prior to deployment.

Recruiting remains strong. Recruiters have made goal for 16 straight months. The quality of our recruits is improving, 92% of our recruits were high school graduates in FY 2002 with 94% targeted for FY 2004. Nearly 6% of new recruits had some college education. Retention is also strong, as shown in Table 11. Attrition

	Recruiter Productivity (active and reserve)		
	FY2002	FY2003	FY2004
# of Recruiters	5,000	4,500	4,400
# of Recruits	46,500	45,000	46,000
# of Recruits per Recruiter	9	10	10
Size of DEP (Beginning of FY)	18,631	25,801	25,380

is being reduced. We will increase the number of E-4 to E-9s (Top 6) from 72.5% in FY 2003 to 73.2% in FY 2004. Increasing the Top 6 allows us to retain more of our experienced leaders and maintains advancement opportunities.

We are developing innovative manning initiatives. USS Milius (DDG 69) was the first guided missile destroyer to deploy using the Optimal Manning program. New technologies and reduced ship's manning requirements allowed sailors to focus on their core responsibilities. As part of our innovative sea swap experiment, the USS Fletcher (DD992) crew will be relieved on deployment by the USS Kinkaid (DD 965) crew to extend unit on station time and reduce time in transit.

The CNO has approved the Sea Warrior initiative to develop 21st century sailors. This initiative takes into account new platforms, technologies, and rotational crewing concepts which revolutionize crew sizing, and provides



interactive web-based tools and training for personal and professional development and career management. Sea Warrior identifies the knowledge, skills, and abilities needed for mission accomplishment; applies career-long training and education continuum; and employs a responsive, interactive career management system to ensure the

right skills are in the right place at the right time. Project SAIL, sailor advocacy through interactive leadership, is a fundamental change to the detailing process that gives sailors a stronger voice and greater control over their career decisions. Task Force EXCEL has introduced a fundamental change in training architecture which provides learning centers at all fleet concentration areas. The Navy Personnel Development Command will provide support and ensure standardization to both the learning centers and the training support commands.

Chart 8 and Table 11 provide summary personnel end strength, accessions, retention, and attrition data for Active Military Personnel.

**Chart 8 - Active Military Personnel End Strength**

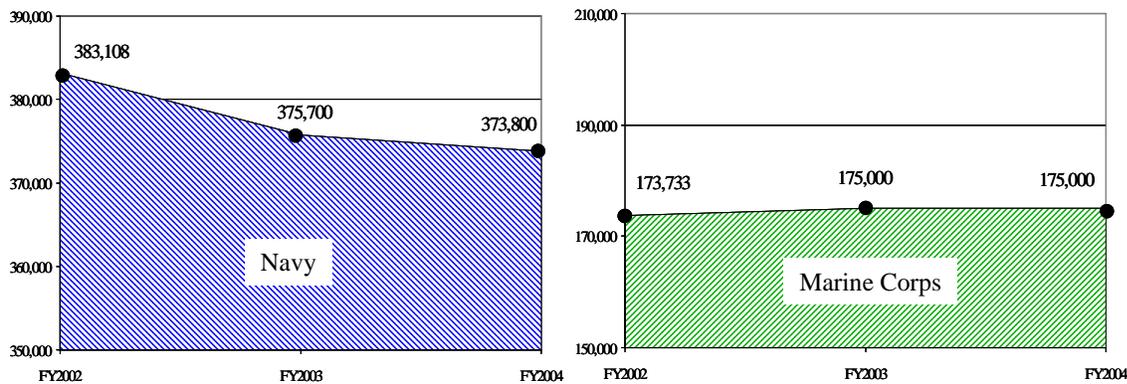


Chart 8 Graphically displays Military Personnel downsizing through FY 2004.

**Table 11**  
**Department of the Navy**  
**Active Navy Personnel**

	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
Officers	54,476	53,866	53,608
Enlisted	324,351	317,834	316,192
Midshipmen	4,281	4,000	4,000
<b>Total: End Strength</b>	<b>383,108</b>	<b>375,700</b>	<b>373,800</b>
Enlisted Accessions	46,500	45,000	46,000
Percent High School Diploma Graduates	92%	94%	94%
Percent above average AFQT	62%	62%	62%

<b>Enlisted Reenlistment Rates</b>				
	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>Steady State Goal</b>
Zone A (<6 years)	60.5%	58.9%	57.4%	57.0%
Zone B (6+ to 10 years)	74.4%	73.3%	72.6%	70.0%
Zone C (10+ to 14 years)	87.9%	86.6%	85.8%	90.0%

<b>Enlisted Attrition</b>			
	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
Zone A (<6 years)	8.8%	9.9%	10.0%
Zone B (6+ to 10 years)	1.6%	1.8%	1.8%
Zone C (10+ to 14 years)	.8%	.9%	.9%

### ***Military Personnel, Navy Reserve Forces***

This budget supports Military Personnel, Navy Reserve Forces end strength of 85,900 in FY 2004, providing pay and allowances for drilling Navy Reserve and Full Time Support personnel. Based on increased requirements for contingency support, funding has been applied for Additional Training Periods (ATPs).

To meet manning challenges for Construction Battalion and Hospital Corpsman requirements, the Navy Reserve is emphasizing the recruitment of non- prior service personnel. As a result, additional funding has been applied to Active Duty for Training (ADT) Schools, non-prior service enlistment bonus, and initial issue for seabag clothing. This budget also reflects positive steps in recruiting and retaining critical skills through increased Affiliation and Prior Service Bonuses. With new Coast Guard training standards, the budget dedicates 55% more resources for Merchant Marine personnel to maintain current qualifications.

Chart 9 and Table 12 provide end strength data for the Navy Reserve Forces account.

**Chart 9 - Military Personnel Navy, Reserve Forces End - Strength**

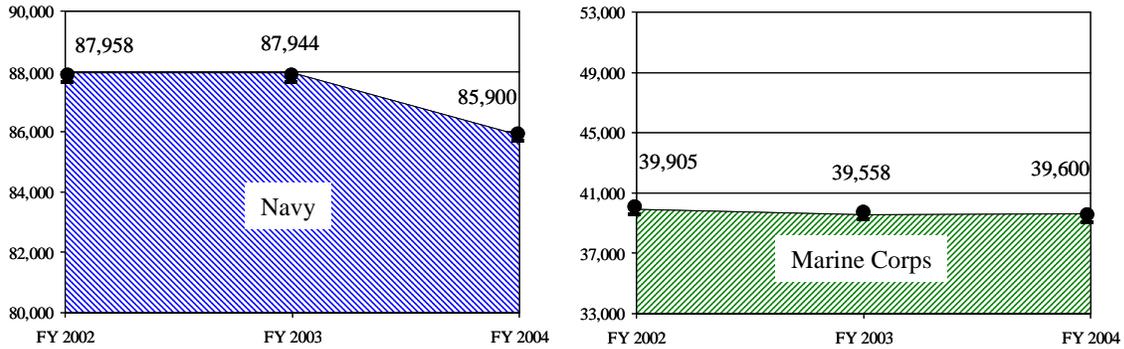


Chart 9 graphically reflects Navy and Marine Corps Reserve Forces personnel strength from FY 2002 through FY 2004.

**Table 12**  
**Department of the Navy**  
**Military Personnel, Navy Reserve Forces**

	FY 2002	FY 2003	FY 2004
Drilling Reserve	73,142	73,202	71,516
Full Time Support	14,816	14,742	14,384
<b>Total: End Strength</b>	<b>87,958</b>	<b>87,944</b>	<b>85,900</b>

Military Personnel, Navy Reserve Forces funding transferred to MPN beginning in FY 2004 as a separate budget activity within the appropriation.

<b><u>Also refer to Appendix A for more information:</u></b>	<b><u>Table</u></b>
Military Personnel, Navy	A-1
Military Personnel, Navy Reserve Force	A-3

**Marine Corps**

This budget supports an end strength of 175,000 in FY 2004. This force structure includes the FY 2002 establishment of the 4<sup>th</sup> Marine Expeditionary Brigade (Anti Terrorism) (4<sup>th</sup> MEB (AT)) dedicated to combating terrorism and fulfills their charter as a versatile expeditionary force-in-readiness, capable of rapidly responding to global contingencies.



Continued success in meeting goals for recruiting and retaining personnel to maintain the planned force level is anticipated and enlistment and reenlistment bonus programs have been funded to help ensure success in meeting budgeted end strengths levels.

<b>Recruiter Productivity (active and reserve)</b>			
	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
# of Recruiters	2,650	2,650	2,650
# of Recruits	37,964	42,875	37,946
# of Recruits per Recruiter	15	16	14
Size of DEP (Beginning of FY)	21,859	22,533	18,973

Chart 8 and Table 13 provides summary personnel end strength data for Military Personnel, Marine Corps.

**Table 13**  
**Department of the Navy**  
**Active Marine Corps Personnel**

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
Officers	18,288	18,088	18,088
Enlisted	155,445	156,912	156,912
<b>Total: End Strength</b>	<b>173,733</b>	<b>175,000</b>	<b>175,000</b>
Enlisted Accessions	37,964	42,875	37,946
Percent High School Diploma Graduates	95%	95%	95%
Percent above average Armed Forces Qualification Test	63%	63%	63%
Reenlistments	16,300	13,096	13,567

<b><u>Enlisted Retention Rates</u></b>				<b>Steady</b>
	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<b>State Goal</b>
First Term	26.5%	26.0%	26.0%	25.0%
Second Term	59.5%	61.0%	61.0%	61.0%
Third Term	95.6%	95.6%	95.6%	95.6%

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## ***Military Personnel, Marine Corps Reserve Forces***

This budget supports Marine Corps Reserve end strength of 39,600 in FY 2004. This end strength ensures availability of trained units to augment and reinforce the active forces, as well as providing manpower for a Marine Air-Ground Task Force headquarters and Marine Forces Reserve (MARFORRES). The budget provides for pay and allowances for drilling Reservists attached to specific units, Individual Mobilization Augmentees (IMA's), personnel in the training pipeline, and full-time active Reserve personnel. Consistent with the Marine Corps active component, bonus programs continue to be funded at levels required to meet recruiting and retention goals.



The Marine Corps Reserve requirements are reviewed continually to fully support the National Military Strategy. The Department remains committed to Reserve contributory support to enhance and complement the active force while maintaining unit readiness to meet crisis and security requirements.

Chart 9 and Table 14 provides end strength data for the Marine Corps Reserve Forces account.

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***Table 14***

***Department of the Navy***

***Military Personnel, Marine Corps Reserve Forces***

	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
Drilling Reserve	37,611	37,297	37,339
Full Time Support	2,294	2,261	2,261
<b>Total: End Strength</b>	<b>39,905</b>	<b>39,558</b>	<b>39,600</b>

Military Personnel, Marine Corps Reserve Forces funding transferred to MPMC beginning in FY 2004 as a separate budget activity within the appropriation.

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## ***SECTION III - INVESTING IN THE FUTURE OF THE NAVY AND MARINE CORPS***

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The Department's program to recapitalize and transform naval forces is greatly improving in this budget. We have more new construction ships and aircraft than in the FY 2003 budget as well as funding for transformational initiatives consistent with our focus to buy down future risk. The total request for procurement funding has increased from \$27.5 billion in FY 2003 to \$30 billion in FY 2004.

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### ***SHIP PROGRAMS***

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

The Department's FY 2004 budget continues to address the requirement for the 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.

The Department continues to support the requirement for future carriers, and has added funding to accelerate implementation of transformational technologies on the future carrier. To mark this change in strategy, the CVN(X) program definition has been refined and designated the CVN-21. This transformational 21<sup>st</sup> century ship, the future centerpiece of the Navy Carrier Strike group, will bring many significant changes to the fleet. These changes include a new electrical generation and distribution system, the electro-magnetic aircraft launching system, a new/enlarged flight deck, weapons and material handling improvements, and a crew reduction of 800. Construction of the CVN-21 is scheduled to start in FY 2007.



DD(X) is the centerpiece to the transformational 21st century Navy and will play a key role in the Seapower 21 strategic concept. Winning the fight requires the ability to conduct assured access and 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. This advanced warship will provide credible forward naval 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. Significant R&D efforts for DD(X) continue in FY 2004 in support of constructing a lead ship in FY 2005.

A critical component of Seapower 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 in support of 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, and intelligence, surveillance, and reconnaissance. Secondary missions include homeland defense, maritime intercept, and special operation forces support. These focused mission ships will contribute significantly to the Sea Shield core operational requirement of Seapower 21. As an integral member of the Surface Combatant Family of Ships, it will operate in environments where it is impractical to employ larger multi-mission ships. FY 2004 R&D efforts support the first LCS construction in FY 2005.

The DDG program successfully awarded a ten-ship FY 2002-2005 multi-year procurement (MYP) contract during the past year. The contract pricing and conditions were negotiated in conjunction with a workload reallocation agreement between the Department of the Navy, Northrop Grumman Ship Systems (NGSS), and General Dynamics (GD). The agreement reallocates DDG and LPD shipbuilding work between the shipbuilders, resulting in a net cost savings and cost avoidance by taking advantage of business efficiencies and learning curve performance. The workload reallocation agreement is based on procuring three DDGs per year in both FY 2004 and FY 2005, and an LPD-17 class ship in FY 2004. The reallocation is intended to help stabilize the workload at three shipyards (Bath Iron Works, Ingalls, and Avondale) during the transition to the transformational family of ships of the future.



FY 2004 marks the start of the Ticonderoga class cruiser modernization program. The Cruiser Conversion effort will substantially increase the service life and capability of the CG 47 class. The conversion provides selected AEGIS cruisers with essential theater ballistic missile defense (TBMD) capability, as well as area air defense commander capability and improved naval surface fire support performance. The conversion will also reduce combat system and computer maintenance costs, replace obsolete combat systems, and extend mission relevant service life.

This budget also addresses the substantial incremental funding requirements needed across the FYDP to complete LHD-8. The Landing Craft Air Cushioned (LCAC) modernization program continues with a service life extension for three craft in FY 2004. Finally, the Department has committed to an LHA(R) procurement with R&D efforts continuing into FY 2004 to the support procurement of an LHA(R) in FY 2007.

The FY 2004 budget also provides for procurement of two Auxiliary Cargo and Ammunition Ships (T-AKEs) in the National Defense Sealift Fund. These will be the fifth and sixth ships of the class.

Chart 10 displays shipbuilding quantities for FY 2003 to FY 2009.

**Chart 10 - Shipbuilding Programs**

	FY03	FY04	FY05	FY06	FY07	FY08	FY09
CVN-21	-	-	-	-	1	-	-
SSN-774	1	1	1	1	2	2	2
DDG-51	2	3	3	-	-	-	-
DDX	-	-	* 1	1	1	2	3
LCS	-	-	* 1	1	-	3	4
LPD-17	1	1	-	2	1	1	1
LHA ( R )	-	-	-	-	1	-	-
MPF(F) (NDSF)	-	-	-	-	-	1	2
T-AKE (NDSF)	1	2	2	2	1	-	-
T-AOE(X) (NDSF)	-	-	-	-	-	-	2
<b>Total New Construction</b>	<b>5</b>	<b>7</b>	<b>8</b>	<b>7</b>	<b>7</b>	<b>9</b>	<b>14</b>
SSGN	2	2	-	-	-	-	-
Cruiser Conversion	-	1	2	2	2	3	3
<b>Total Conversions</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>3</b>
CVN RCOH	-	-	1	-	-	-	-
SSN/SSBN refueling	2	-	2	2	3	2	1
LCU ( R )	-	-	2	3	3	3	3
LCAC SLEP	3	3	5	6	6	6	6
Mobile Offshore Base	-	-	-	-	-	-	1
<b>PY Completion \$M</b>	<b>\$ 1,280</b>	<b>\$ 636</b>	<b>\$ 484</b>	<b>\$ 46</b>	-	-	-
<b>*Funded in RD TEN</b>							

**Submarine Programs**



The Navy will covertly project power with its fleet of modern SSN 688, Seawolf, Virginia class, and Trident submarines. Their firepower, stealth sensors and communications equipment will enable submarines to act as force multipliers in every conceivable scenario. This budget highlights the Navy's ongoing effort to

modernize its existing 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 submarine. Construction of the first two Virginia class submarines began in FY 1998 and FY 1999 under the teaming arrangement with General Dynamics and Newport News Shipbuilding Company. FY 2004 funds the first of seven submarines under a proposed multi-year procurement contract. Approximately \$400 million in economic order quantity advance procurement is funded in FY 2004 in support of this contract.

FY 2004 also includes funding to continue the SSGN program and provide covert conventional strike platforms capable of carrying 150 Tomahawk missiles. The FY 2004 SSGN request will convert two of four Trident SSBNs to SSGNs, refuel the third submarine, and fund advance work for the remaining overhaul and final two conversions.

The FY 2004 budget’s emphasis on recapitalization forced the Department to make difficult decisions concerning modernization accounts. Advanced Submarine Technology, Acoustic Rapid COTS Insertion (ARCI), Virginia Class Submarine RDT&E, and other submarine development and modernization programs were rephased to support recapitalization, but in aggregate, the budget reflects a balanced approach to enhancing our submarines’ performance and commonality.



***Ship Weapons Program***

The Standard Missile program replaces ineffective, obsolete inventories with the procurement of more capable Block IIIB missiles. The Rolling Airframe Missile (RAM) program continues procurement of the improved Guided Missile Launching System (GMLS) and the upgraded Block I missile, providing an enhanced guidance capability along with a helicopter, air and surface (HAS) mode. In addition to Standard Missile and RAM, the FY 2004 budget provides funding to continue production of the Evolved Sea Sparrow Missile (ESSM). Additionally, the Tactical Tomahawk missile begins full rate production in FY 2004 and the budget requests authority for an FY 2004 – 2008 MYP.

<b>Major Weapons Quantities</b>							
	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
Tactical Tomahawk*	167	267	218	422	406	471	410
Standard Missile	93	75	75	75	75	94	110
RAM	90	90	90	90	90	90	156
ESSM	23	105	111	153	195	186	206

\* Includes Submarine Launched Weapons



Several land attack R&D efforts critical to future littoral warfare, continue in FY 2004, including the Extended Range Guided Munition (ERGM), the 5"/62 gun, the Advance Gun System (AGS), the Naval Fires Control System (NFCS), and the Naval Fires Network (NFN). ERGM contains an internal global positioning system and inertial navigation system that provide state-of-the-art guidance to surface-fired munitions. The ERGM program successfully conducted an all-up round guided flight in June 2002 and is on track for initial operational capability in FY 2006.

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 NFN 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.



<b><u>Also refer to Appendix A for more information:</u></b>	<b><u>Table</u></b>
Shipbuilding and Conversion, Navy	A-12
Weapon Procurement, Navy	A-11
National Defense Sealift Fund	A-17

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## AVIATION PROGRAMS

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### *Aircraft Programs*

The Department's FY 2004 budget is structured to maintain the continued superiority of Navy and Marine Corps aviation for the next generation. The budget continues to maximize the return on procurement dollars, primarily through the use of multi-year procurements (MYP) for the F/A-18E/F (both airframe and engine), the E-2C and the MH-60S. The Department has also agreed to enter into a joint MYP contract with the Air Force for 20 KC-130J's, to replace the Marine Corps' aging KC-130 fleet. Robust development funding is also provided for JSF, MV-22, UH-1Y/AH-1Z and MH-60R.



The F/A-18E/F is the centerpiece of Navy combat aviation and reached its initial operational capability in September of 2001. The FY 2004 budget continues to support this platform and the capabilities it provides to the warfighter by including additional funding for weapons integration. Further, the budget for the F/A-

18E/F also funds required corrections of discrepancies to ensure these aircraft do not prematurely reach their life limits.

The Department will continue to procure the V-22 Osprey at the minimum sustaining rates through an expanded developmental and operational test phase. The goal of the revised MV-22 program is to ensure the Osprey is a safe, reliable aircraft capable of meeting all Marine Corps requirements. This goal is achieved through a robust flight testing program.



FY 2004 will mark the first year of procurement in the AH-1Z/UH-1Y program. When delivered, 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% component commonality.



Major R&D programs include the active electronically scanned array (AESA) radar for the F/A-18E/F and the continuation of a multi-mission aircraft program to replace the P-3

Maritime Patrol. Joint aircraft programs also continue to be an important component of naval acquisition strategy, with the Joint Strike Fighter continuing in the Engineering and Manufacturing Development phase in FY 2004. The Department has also placed substantial resources to develop the EA-18G aircraft as a follow on to replace the aging EA-6B fleet.

Continuing the emphasis on transformational systems, the Department has budgeted R&D funding for several aviation programs. The Advanced Hawkeye (also known as E-2 Radar Modernization Program (RMP)) is funded through the FYDP with first production planned for FY 2008. The FY 2004 budget continues to demonstrate the Department's commitment to developing, acquiring and fielding transformational UAV technologies for Intelligence, Surveillance and Reconnaissance and tactical missions. The budget includes funding for a second Unmanned Combat Air Vehicle (UCAV-N) demonstrator, continues development of the Global Hawk Maritime Demonstration System (GHMDS), and initiates development of the Broad Area Maritime Surveillance (BAMS). Finally, the budget provides for the development and procurement of Pioneer UAV improvements in support of Marine Corps mission. Additionally, the Department has included funding to support procurement of required capabilities in the fleet, such as Advanced Targeting Forward Looking Infra-Red (ATFLIR) and Joint Helmet Mounted Cueing Systems (JHMCS).



Chart 11 displays the Department's new production and remanufactured aircraft programs.

**Chart 11 - Aircraft Programs**

	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09
F/A - 18 E/F/G	46	42	42	42	42	42	42
JSF	-	-	-	4	8	29	52
CH - 53 E	-	-	-	-	-	3	5
V - 22	11	9	8	17	29	30	33
UH - 1Y / AH - 1Z	-	9	7	14	23	23	24
MH - 60S	15	13	15	26	30	30	40
MH - 60R	-	6	10	15	21	31	31
MMA	-	-	-	-	-	-	8
E - 2C	5	2	2	2	2	* 4	5
UC - 35	1	2	-	-	-	-	-
C - 40A	1	1	1	1	3	3	3
C - 37	-	-	1	-	-	-	2
T - 39	-	1	2	3	3	7	-
T - 45TS	8	15	8	5	-	-	-
JPATs	4	-	-	-	24	48	48
KC - 130J	4	-	4	4	4	4	5
BAMS UAV	-	-	-	-	2	4	4
<b>TOTAL</b>	<b>95</b>	<b>100</b>	<b>100</b>	<b>133</b>	<b>191</b>	<b>258</b>	<b>302</b>
<b>* Funded in RD TEN</b>							

Within our aircraft modification program, we continue procurement of the AV-8B Open System Core Avionics Requirements (OSCAR) program to update obsolete avionics and also continue F/A-18 Radar Upgrade, structural and safety improvements. Funding also provides for the Anti-Surface Warfare Improvement Program (AIP) efforts, the Update III Common Configuration program, and upgrades to tactical aircraft electronic warfare countermeasures capabilities.

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### ***Aircraft Weapons Programs***

The Department continues to procure the EA-6B Improved Capability (ICAP) III. This upgrade will provide the Prowler with a new selective re-active receiver with integrated communications, jamming, and connectivity capabilities. This increased capability will be a welcome addition for an aircraft which experienced extremely high OPTEMPO during Operation Enduring Freedom and Noble Eagle.

The Department's employment of Precision-Guided Munitions (PGMs) during Desert Storm, Bosnia, and from the North Arabian Sea during Operation Enduring Freedom, has provided our commanders with all-weather, day and night, precision strike attack capable of being delivered well inland on demand. The budget continues to procure Joint Direct Attack Munitions (JDAMs) at the maximum production rate, and begins full rate production of the MK-82 variant (500 lb) in FY 2004. The budget also includes increased procurement of unguided bombs to support deliveries of JDAM and Laser Guided Bombs (LGBs) precision guidance kits. The Joint Standoff Weapon (JSOW) Unitary (penetrator variant) enters Full Rate production in FY 2004, while production of the JSOW Baseline (dispenser variant) continues to ramp up in FY 2004. The budget also continues procurement of the remaining SLAM-ER conversions.



The AIM-9X Sidewinder air-to-air missile enters full rate production in FY 2004, providing a significantly increased capability required to defeat existing threats, and the Department continues the procurement of the Advanced Medium Range Air-to-Air Missile, the next generation, all weather,

<b>Major Aviation Weapons Quantities</b>							
	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
JSOW	165	429	463	490	404	387	405
SLAM-ER	120	84	90	0	0	0	0
AIM-9X	284	167	162	173	229	213	183
JDAM	12,280	12,326	11,014	5,380	5,166	4,536	4,380
AMRAAM	100	53	46	101	150	140	150
JASSM	0	0	0	0	30	110	110
Common Missile	0	0	0	0	50	50	150

all environment, radar guided missile for air defense. The FY 2004 budget continues development of Precision JDAM, which will provide a smaller more precise and flexibly targeted weapon to minimize collateral damage, and continues the integration of the Joint Air-To-Surface Standoff Missile (JASSM) on the F/A-18E/F. Finally the Department enters into a robust Common Missile program with the Army to replace the aging inventory of TOW, Maverick and HELLFIRE missiles.

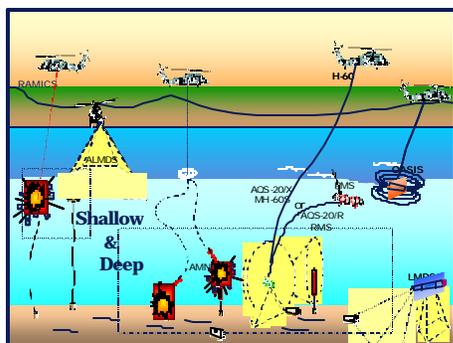
<b><u>Also refer to Appendix A for more information:</u></b>	<b><u>Table</u></b>
Aircraft Procurement, Navy	A-10
Weapons Procurement, Navy	A-11
Procurement of Ammunition, Navy and Marine Corps	A-15

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## **MINE WARFARE**

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In keeping with the Department's goal to achieve an organic mine warfare capability in FY 2005, the budget includes funding to meet scheduled battle group deployments while maintaining funding for a potent and dedicated Mine Countermeasure (MCM) force. The FY 2004 Budget reflects an increase of \$482 million for mine warfare programs. The budget requests development and procurement funding for a variety of systems discussed below. The FY 2004 budget continues the development and integration of the AQS-20A Minehunting System and the Airborne Laser Mine Detection System (ALMDS) on the MH-60S platform, both organic systems, with an Initial Operational Capability (IOC) planned in FY 2005. 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 RAMICS, and FY 2008 for OASIS. Funding is also provided for the development of a single common console for all organic Airborne Mine Counter Measures (AMCM) systems. This action reflects the Department's intent to establish a mid-term organic mine warfare capability that is fully integrated on the MH-60 helicopter.



The FY 2004 budget continues the development and acquisition of the Long-Term Mine Reconnaissance System (LMRS), and is on track for an FY 2005 IOC on the SSN-688 class. LMRS will provide a clandestine reconnaissance capability for mine and mine-like objects. The FY 2004 budget includes funding for the development and acquisition of the Remote Minehunting System, with an FY 2005 IOC and planned fielding on DDG 91-96. Finally, it also includes funding to initiate the Assault Breaching System (ABS) to add mine and obstacle clearance capability in the beach and surf zones.

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

	<b>Table</b>
Aircraft Procurement, Navy	A-10
Weapons Procurement, Navy	A-11
Other Procurement, Navy	A-13
Research, Development, Test and Evaluation, Navy	A-16

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## ***C4I PROGRAMS***

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The Navy's Command, Control, Communication, Computers and Intelligence (C4I) programs represent the backbone of the combat capability of the U.S. Naval forces. Leveraging the most advanced technologies available in the world today, the C4I programs make "One Team, One Fight" a reality. Additionally, these technologies will be the primary guides for the Naval Transformation Roadmap. The C4I evolutionary plan revolves around four key elements: connectivity; a common tactical picture; a sensor-to-shoot emphasis; and information/command and control warfare.

A central theme continuing to shape the Navy's budget for C4I programs is the concept of Information Technology for the 21<sup>st</sup> Century (IT-21). IT-21 provides the common backbone for command, control, communications, computers and intelligence systems to be linked afloat, ashore, and to the Internet. The Integrated Shipboard Network Systems (ISNS) Local Area Network (LANs) afloat and local and regional networks ashore integrated under the Navy/Marine Corps Intranet (NMCI) serve as the principal element of this effort. The networks integrate afloat tactical and tactical support applications with enhanced satellite systems and ashore networks. FY 2004 funding continues to accelerate ISNS 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 2004 begins the major development of the Advanced Narrowband System/Mobile User Objective System (ANS/MUOS), leading to an Initial Operational Capability (IOC) in FY 2008 and FOC in FY 2013. ANS/MUOS will provide the DoD's Ultra High Frequency (UHF) satellite communication requirements of the 21<sup>st</sup> century.

FY 2004 funding continues the development of Advanced EHF (AEHF) terminals, which supports the synchronization with the Air Force's Advanced Wideband System (AWS/AEHF) satellite program to meet a FOC in FY 2010. FY 2004 funding accelerates the effort to transition the Navy's Digital Modular Radio (DMR) to the maritime version of the Joint Tactical Radio System (JTRS) and also supports the development and procurement of the

JTRS Maritime/Fixed (M/F) Cluster. The joint radio system is a single family of radios that will replace and integrate various incompatible service radios.

Funding in FY 2004 also continues to emphasize the procurement and installation of Global Broadcast System (GBS), Super High Frequency (SHF), and Extra High Frequency (EHF) 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 2004 for the Advanced Tactical Data Links (ATDLS) system, ensuring timely transmission of surveillance, targeting, engagement, combat identification, and battle damage assessment information over IT-21 networks. FY 2004 funding provides for the development of FORCEnet. FORCEnet is a cornerstone Command, Control, Communication, Computers, Surveillance and Reconnaissance (C4ISR) architecture which will integrate sensors, networks, decision aids, and weapons into an adaptive human control maritime system in order to achieve dominance across all warfare spectrums.



Information Warfare/Command and Control Warfare (IW/C2W) 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 2004 funding provides for the procurement of Common Data Link – Navy (CDL-N) systems and continues funding for the Maritime Cryptologic Systems for the 21<sup>st</sup> Century (MCS-21). In the Information Systems Security Program (ISSP), FY 2004 funds the procurement of Mission Critical Secure Terminal Equipment (MC/STE). FY 2004 funding continues to provide cryptologic equipment and secure communications equipment for Navy ships, shore sites, aircraft, and the Marine Corps.

Finally, the Department of Defense has stepped up the efforts to web enable C4I systems which allows the sailors on ship or shore with a web browser to access software applications electronically from a single workstation, such as the Navy Tactical Command Support System.

<b><u>Also refer to Appendix A for more information:</u></b>	<b><u>Table</u></b>
Other Procurement, Navy	A-13
Procurement, Marine Corps	A-14

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## **MARINE CORPS GROUND EQUIPMENT**

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This category of our budget supports the development and subsequent fielding of all equipment used by Marine Corps ground forces. In the FY 2004 budget these programs represent modernization of existing capabilities and several programs provide truly transformational capabilities to the Marine Corps. When combined with revolutionary operational concepts, organizational change and improved business and acquisition practices, they all contribute to a transformed Marine Corps.



In FY 2004 modernization, several major replacement, remanufacture and program upgrades initiate or continue in this budget. They include the High Mobility Multi-purpose Wheeled Vehicle (HMMWVA2) program and the Light Armored Vehicle (LAV) Service Life Extension Program (SLEP). Continued procurement of the LAV

SLEP ensures LAV combat capabilities are preserved through FY 2015.

In the area of transformation, this budget continues the procurement of Advanced Amphibious Assault Vehicle (AAAV) with the purchase of special tooling in FY 2004 and 2005. The AAAV will allow immediate high speed surface maneuver of Marine infantry units as they emerge from ships located over the visual horizon and beyond. Production representative vehicle procurement occurred in FY 2003 and will deliver in FY 2005. The program was restructured to add an additional 6 to 9 months in FY 2004 to include extensive multi-vehicle operational testing. Initial Operational Capability (IOC) will be reached in FY 2008 and Full Operational Capability in FY 2018.



Of significance to Marine Corps transformation efforts, the Lightweight 155mm Howitzer 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.



Additionally, procurement of the Predator weapon continues at a slightly more robust level. Another transformational addition to the FY 2004 budget, the High Mobility Artillery Rocket System (HIMARS) delivers its first launchers. HIMARS is a C-130 transportable, wheeled, indirect fire weapon system with a range of 30 to 60 km providing a large increase in area coverage for engaged warfighting forces.

In FY 2004, 31 Unit Operations Centers (UOC) are requested and will provide a centralized facility to host C2 functionality for the Marine Air Ground Task Forces' (MAGTF) Command Element, Ground Combat Element, Aviation Combat Element and Combat Service Support Element, providing tentage, power, cabling, LAN and processing systems while remaining scaleable to support command echelons battalion and above.

<b>Major Marine Corps Ground Equipment Procurement Quantities</b>							
	<b>FY2003</b>	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>	<b>FY2007</b>	<b>FY2008</b>	<b>FY2009</b>
HMMWV2	1,650	1,738	1,792	1,511	1,606	1,289	0
AAAV	1	0	0	18	24	54	90
MTVR	1,405	0	0	0	0	0	0
LW155	34	60	110	120	53	0	0
HIMARS	2	1	1	15	19	0	0
Predator	445	526	673	805	739	789	829
Unit Ops Ctr	32	31	34	41	95	89	133
ABV	0	0	0	15	15	0	0

The FY 2004 RDT&E,N 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 (MCWL) is the centerpiece for operational reform in the Corps, investigating new and potential technologies and evaluating their impact on how the Marine Corps organizes, equips and trains to fight in the future. Additionally, the budget continues to finance Non-Lethal Weapons (NLW) research and development – a program for which the Marine Corps serves as the Executive Agent. In the FY 2004 budget, we seek to leverage developing and emerging technologies that have applications across the spectrum of warfare. Additional significant R&D efforts focus on Command Post Systems, Command and Control shared data environments, and landing force technologies.



<b><u>Also refer to Appendix A for more information:</u></b>	<b><u>Table</u></b>
Procurement, Marine Corps	A-14
Procurement of Ammunition, Navy and Marine Corps	A-15

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## **RESEARCH AND DEVELOPMENT SUPPORT**

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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. That new focus will maintain a broad base of S&T feed 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 (FNCs) to the warfighter and to support the technological innovation to support the National Military Strategy. These desired future capabilities are approved by the DoN Science and Technology Corporate Board. 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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### ***Sea Trial: Process 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.

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 into the hands of the warfighters. Following the warfighter's lead, supporting centers for concept development propose innovative operational concepts to address emergent conditions. A basic premise of the Sea Trial concept 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 align wargaming, experimentation, and exercise events so that they optimally support the development of transformational concepts and technologies.

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### ***Management and Support***

RDT&E Management Support (6.6) funds installations required for general research and development use. These efforts include the test and evaluation support programs required to operate the Navy's test range sites; R&D aircraft and ship funding, target and threat simulator development efforts. This funding level reflects required R&D infrastructure support commensurate with overall Navy force structure and facilities management consolidations. Seventy-one percent of this funding, or about \$459 million in FY 2004, supports the Major Range and Test Facilities Base (MRTFB), 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 15 provides Research, Development, Test and Evaluation, Navy summary data at the budget activity level and the major platform efforts.

<p><b><u>Also refer to Appendix A for more information:</u></b>      <b><u>Table</u></b> Research, Development, Test and Evaluation, Navy A-16</p>
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**Table 15**  
**Department of the Navy**  
**Research, Development, Test and Evaluation**  
*(In Millions of Dollars)*

	FY 2002	FY 2003	FY 2004
<b><u>Significant RDT&amp;EN Activities</u></b>			
Science and Technology	1,997	2,031	1,715
Basic Research	395	412	457
Applied Research	755	806	536
Advanced Technology Development	847	813	722
Demonstration and Validation	2,565	2,709	2,600
Engineering and Manufacturing Development	3,606	5,265	6,239
R&D Management Support	878	704	651
Operational Systems Development	2,333	2,922	2,902
<b>Total R&amp;D</b>	<b>11,379</b>	<b>13,631</b>	<b>14,107</b>

**Major Platform Efforts:**

Joint Strike Fighter	\$725	\$1,709	\$2,172
DD(X)	556	1,029	1,244
C4I	486	639	963
V-22	416	411	441
CVN-21	280	322	311
AAAV	253	270	241
EA-18G	5	10	205
F/A-18	253	210	179
Unmanned Aerial Vehicles (UAV/UCAV)	75	257	165
LCS	0	33	158
Virginia Class SSN	198	257	126
Deployable Joint Command and Control (DJC2)	0	32	79
MMA	42	68	76

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## ***SECTION IV - SUPPORTING THE FORCE ASHORE AND IMPROVING THE SEA ENTERPRISE***

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Quality of life and quality of work remain a primary focus for the Department. Providing our Sailors, Marines, and civilians high quality operating facilities, information technology, and an environment to achieve their goals is fundamental to mission accomplishment. We remain committed to ensuring our Sailors, Marines, and civilian shipmates are compensated with proper pay, attractive housing, generous benefits, quality workspaces, and equipment. Also, the ability to project power through forward deployed naval forces relies heavily on a strong shore support structure at home. We are making progress in eliminating inadequate bachelor housing through the use of additional Public Private Ventures, achieving the DoD goal of a 67 year recapitalization rate by FY 2007, and improving existing facilities to C-2 status beyond the FYDP.

The Department places a premium on ensuring adequate funds are available in these areas, but must remain vigilant about improving the “tooth-to-tail” ratios. Therefore, we have continued to pursue processes to achieve cost reductions. Initiatives undertaken include significant personnel efficiencies, consolidation of management responsibility of naval bases, mission funded shipyards, regionalized maintenance, and use of land sales revenue to finance some BRAC expenses. The Department continues to become more efficient, working on ways to improve “how we do business” corporately rather than concentrating only on specific programs and products. Making the process efficient leads to more effective results and solutions that are affordable. This budget continues with innovative business approaches and exploitation of information technologies as we proceed with our transformation effort into the 21st Century through the use of Navy Marine Corps Intranet (NMCI), enterprise resource planning, electronic business, strategic sourcing, and risk management.

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### ***MILITARY CONSTRUCTION***

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The FY 2004 budget requests 56 military construction projects for the active Navy and Marine Corps, and 2 projects for the Navy and Marine Corps Reserves. Projects incorporated in the budget request include critical mission and quality of life support improvements such as the purchase of Blount Island, FL, a squadron operations facility at Naval Air Station, North Island, CA; aircraft maintenance hangars at Naval Air Station Lemoore, CA and



Marine Corps Air Station, Yuma, AZ; pier replacement for Naval Station, Norfolk, VA and Naval Weapons Station, Earle, NJ; an aircraft control tower and taxiway at Naval Air Station, North Island, CA; 10 new bachelor enlisted quarters at 9 locations in CONUS and overseas including, 2 new enlisted recruit barracks at Naval Training Center, Great Lakes, IL; quality of life facilities including a fitness center addition at Henderson Hall, Arlington, VA; and various world-wide new construction and improvement projects.

<b>FY 2004 MILCON Summary</b>			
<b>(\$M)</b>			
	<b><u>FY 2002</u></b>	<b><u>FY 2003</u></b>	<b><u>FY 2004</u></b>
Navy	837	1,118	879
Marine Corps	<u>355</u>	<u>262</u>	<u>282</u>
Total	1,192	1,380	1,161

The FY 2003 program includes \$228 million for projects requested under the Defense Emergency Response Fund. These one-time requirements were essential to addressing critical force protection and anti-terrorism deficiencies in the Department.

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## ***FAMILY HOUSING***

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The FY 2004 budget continues on course to eliminate inadequate units by FY 2007 as indicated in Chart 12. Overall funding for the family housing accounts is down from FY 2003 levels, reflecting the difficult choices made in order to more fully resource warfighting capability. However, funding levels, coupled with increased emphasis on public-private ventures and increased BAH, enable the Department to meet the DoD goal of zero inadequate family housing units by FY 2007.

The Navy has \$60 million of construction and improvement projects planned for Annapolis, MD, Lemoore, CA, and Pensacola, FL addressing 266 units. In addition, the Navy plans Public Private Venture (PPV) awards in the Hampton Roads, VA, Charleston, SC, Millington, TN, and Seattle, WA, areas correcting 3,334 inadequate units. Finally, the Navy has teamed with the Army in their PPV effort in Monterey, CA, that will correct the Navy's 51 inadequate units.

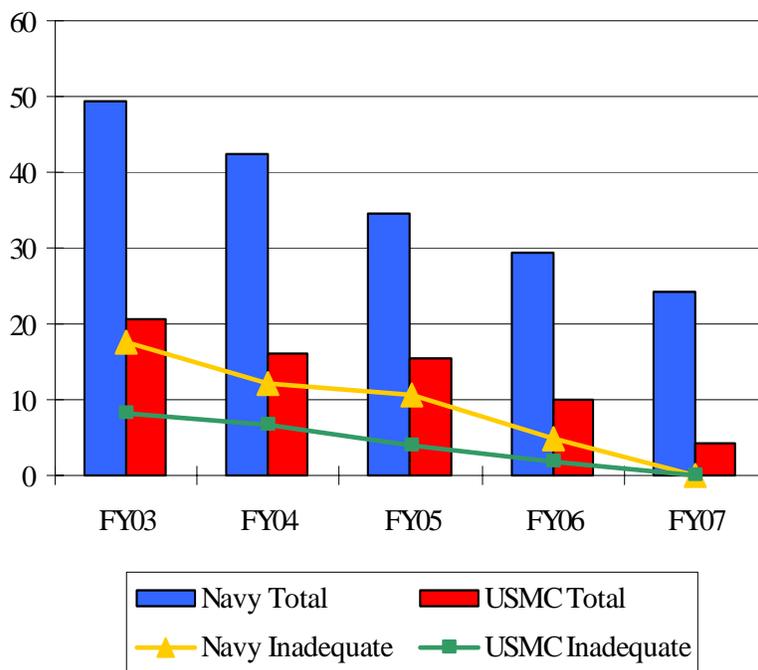
The Marine Corps has budgeted over \$126 million for construction and improvement projects. Two construction projects are planned at Marine Corps Base (MCB), Camp Lejeune and one is planned at Marine Corps Air Station (MCAS), Cherry Point. These projects will demolish and replace 858 homes. In addition, the Marine Corps plans to privatize 821 homes at Marine Corps Air Station, (MCAS) Yuma, AZ, and improve 44 units at Marine Corps Air Station, (MCAS), Iwakuni, Japan.

In addition to government financing, we estimate the private sector will contribute over \$450 million worth of development capital for PPV projects "closed" (or awarded, regardless of which fiscal year funding was appropriated) in FY 2004. All told, through the prudent mix of construction and privatization efforts, the Navy will do away with about 3,650 inadequate units and the Marine Corps nearly 1,500 between FY 2003 and FY 2004.

<b>Family Housing Units</b>			
	<b><u>FY 2002</u></b>	<b><u>FY 2003</u></b>	<b><u>FY 2004</u></b>
New Construction projects	7	10	5
Construction units	576	1,147	1,070
Privatization projects	1,466	11,844	9,731

**Chart 12 - Family Housing End of Year Inventories**

#Units (K)

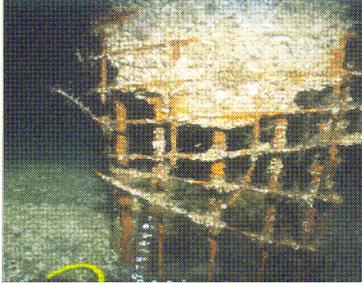


<b>Also refer to Appendix A for more information:</b>	<b>Table</b>
Military Construction, Navy and Naval Reserve	A-18
Family Housing, Navy	A-19
Base Realignment and Closure	A-20

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

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The Department has transitioned to a more detailed and credible industry based assessment and readiness model of Facility Sustainment, Restoration and Modernization (FSRM) to keep the required facility inventory at an acceptable quality level through life-cycle maintenance and repair. Appropriate investments of facility sustainment funds are designed to maintain an inventory of facilities in good working order and preclude its premature degradation. The facility sustainment requirement is calculated by applying both a unit sustainment cost (based upon industry facility standards) and a geographic area cost factor to each facility type's appropriate unit quantity (square feet, linear feet, etc.). The Department measures the adequacy of infrastructure investment using "deferred sustainment," which is the annual difference between the sustainment requirement and actual sustainment funding. The Department's goal is to have no more than 7% deferred sustainment. Facility improvement (based upon industry facility standards) occurs through restoring aged and damaged facilities and modernizing facilities. The "Restoration and Modernization" requirement is based on bringing all mission areas to C-2 by FY 2010. Readiness ratings are described in the Department of the Navy's Installation Readiness Report. The Department's goal for restoration and modernization is to fully fund the requirement. The current budget has the Department attaining the DoD 67 year recapitalization goal by FY 2007.



Included within the budget is \$43 million in FY 2004 for the demolition of excess facilities.

Table 16 summarizes the Department's Facility Sustainment, Restoration and Modernization program.

**Table 16****Department of the Navy****Facility Sustainment, Restoration and Modernization***(In Millions of Dollars)*

	<b>FY 2002</b>	<b>% of Goal</b>	<b>FY 2003</b>	<b>% of Goal</b>	<b>FY 2004</b>	<b>% of Goal</b>
O&MN/O&MNR	\$1,375		\$1,870		\$1,442	
O&MMC/O&MMCR	436		507		589	
<b>Total DoN O&amp;M Facility SRM</b>	<b>\$1,811</b>		<b>\$2,377</b>		<b>\$2,031</b>	
 <u>Annual Deferred Sustainment</u>						
O&MN/O&MNR	\$152	88%	\$214	84%	\$96	93%
<i>Goal</i>		100%		90%		93%
O&MMC/O&MMCR	40	91%	0	100%	0	100%
<i>Goal</i>		100%		100%		100%
<b>Total DoN Annual Deferred Sustainment</b>	<b>\$192</b>		<b>\$214</b>		<b>\$96</b>	
 <u>Restoration and Modernization (R&amp;M) Shortfall</u>						
O&MN/O&MNR	\$38	88%	\$149	64%	\$519	16%
<i>Requirement</i>	305		410		621	
O&MMC/O&MMCR	55	49%	70	26%	32	73%
<i>Requirement</i>	108		95		119	
<b>Total DoN R&amp;M Shortfall</b>	<b>\$93</b>		<b>\$219</b>		<b>\$551</b>	

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***BASE REALIGNMENT AND CLOSURE (BRAC) III&IV***

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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 Department of the Navy supports the need for additional base closures.

The FY 2004 BRAC budget is dedicated exclusively to environmental costs (cleanup and closure related compliance), real estate and caretaker functions prior to property disposal. The DoN has disposed of more than 74,000 acres of base-closure property. An estimated 86,000 acres remain to be conveyed, of which 72,600 acres are at the former NAS Adak, AK. The Department expects to transfer the remaining acreage at Adak in FY 2003.

BRAC III - Costs are related to the closure or realignment of 91 naval facilities in BRAC III, all of which were completed in FY 1999. The Department is committed to make closed facilities available to community reuse groups as fast as possible.

BRAC IV - The 44 bases and facilities included in BRAC IV completed operational closure by January 2002. The budget includes funding for crucial environmental efforts at various locations in California, including the Naval Air Station, Moffet Field; Naval Air Station, Alameda; Hunters Point Naval Shipyard; Marine Corps Air Station, El Toro and Naval Shipyard, Mare Island. The FY 2004 program will be partially financed with land sale revenue projected from the sale of land at various locations.

Overall, steady state savings realized through the prior BRAC processes totaled \$2.6 billion annually.

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

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The NWCF continues to be a major support element for the operating forces of the Navy and Marine Corps with total cost of goods and services to be sold by the NWCF projected to exceed \$22 billion in FY 2004 as reflected in table 17. NWCF activities perform a wide variety of functions including Supply Management, Depot Maintenance, Research & Development, Transportation, and Base Support.

The NWCF continues to pursue some important efforts to improve efficiency and maximize effectiveness. NWCF activities are heavily involved in the Department of the Navy's strategic sourcing initiatives and expect to produce savings through actions such as A-76 competitions and functionality reviews. Activities within the Depot Maintenance, Research & Development, and Supply Management areas continue to pursue Enterprise Resource Planning (ERP) pilot projects. ERP will be used to reengineer and standardize business processes, integrate operations and optimize management of resources. The Department also plans to convert the Puget Sound Naval Shipyard from NWCF operation to mission funding in a two year pilot effort aimed at ensuring the success of the consolidation of depot and intermediate ship repair facilities in the Northwest region beginning in FY 2004.

All industrial activity groups will now measure their year end levels of funded workload backlog (carryover) using the newly developed DoD metric which incorporates an outlay-based calculation. Outlay factors are also an important factor for evaluating the execution of general fund programs and are specific to the type of appropriation involved. The new metric will provide better consistency with the way that budget estimates for annual appropriations are reviewed for execution performance and will be tailored to the mix of appropriations received. Since different appropriations are used to fund different types of workload, the new metric will adjust itself as workload mix changes from year to year.

Within the Supply Management area, the Department continues to pursue initiatives that will control costs and improve readiness. Accordingly, this budget continues to fund such initiatives as serial number tracking and ERP. These initiatives will provide the Department better tools to assess program growth and implement cost reducing procedures where appropriate. In that same light, we are continuously looking for opportunities to reduce the cost of operating the Department's supply system. This budget reflects the Department's effort to combine the remaining portion (non-aviation material) of Marine Corps supply into one departmental supply management activity. Additionally, in support of *Seapower 21* vision, the Naval Supply Systems

Command has identified additional ways better to structure and align their organization to optimize logistics support and reduce cost. We are optimistic that these continuing transformational efforts will provide additional funds to help reduce weapon system age and thus stem the tide of spare part cost growth as well as allow the Department to provide our Fleet customers improved logistics support at a lower cost.

In the area of inventory management, obligation authority in FY 2003 increased approximately 13% over the FY 2003 President's Budget submission. While increased program requirements have contributed to some of this growth, the preponderance of the increase is associated with an anticipated delay in transferring afloat fuel accounting to the Defense Logistics Agency. The Defense Logistics Agency has been working closely with the Department to develop the necessary software to assume this responsibility as expeditiously as possible. Current projections indicate the transfer will be complete in FY 2004.

This budget submission also reflects continuation of the Department's inventory augmentation efforts. Inventory augmentation allows the Department to procure new system wholesale stock without creating an excessive burden on the customer or negatively impacting the NWCF cash balance. Inventory augmentation also permits the Department to capture total ownership costs more effectively since the funds are clearly tied to the support of the new weapon systems rather than being accounted for in the cost of operations. The FY 2003 President's Budget included the final \$125 million of obligation authority for an overall requirement of \$250 million, and a direct appropriation to pay for the inventory augmentation material that will deliver in FY 2003. Likewise, this budget includes \$130 million in direct appropriation to pay for the inventory augmentation material that will deliver in FY 2004.

Lastly, FY 2004 NWCF cash balances are projected to exceed the 7-10 day range required to ensure viability of the Fund. Therefore, the budget includes a \$448 million reduction in NWCF cash to finance FY 2004 operation and maintenance requirements.

<p><b><u>Also refer to Appendix A for more information:</u></b> Navy Working Capital Fund</p>	<p><b><u>Table</u></b> A-21</p>
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**Table 17**  
**Department of the Navy**  
**Summary of NWCF Costs**  
*(In Millions of Dollars)*

	FY 2002	FY 2003	FY 2004
<b><u>COST</u></b>			
Supply (obligations)	6,977	7,797	6,864
Depot Maintenance - Aircraft	2,036	1,969	1,955
Depot Maintenance - Ships	2,507	2,424	1,415
Depot Maintenance - Marine Corps	211	228	198
Transportation	1,553	1,723	1,701
Research and Development	9,517	8,704	8,371
Base Support	1,719	1,541	1,513
<b>TOTAL</b>	<b>\$24,520</b>	<b>\$24,386</b>	<b>\$22,017</b>
<b><u>CAPITAL INVESTMENT</u></b>			
Supply Operations	82	72	50
Depot Maintenance - Aircraft	51	51	39
Depot Maintenance - Ships	126	42	21
Depot Maintenance - Marine Corps	5	3	4
Transportation	10	14	13
Research and Development	116	116	109
Base Support	16	19	19
<b>TOTAL</b>	<b>\$406</b>	<b>\$317</b>	<b>\$255</b>

## **CIVILIAN PERSONNEL**

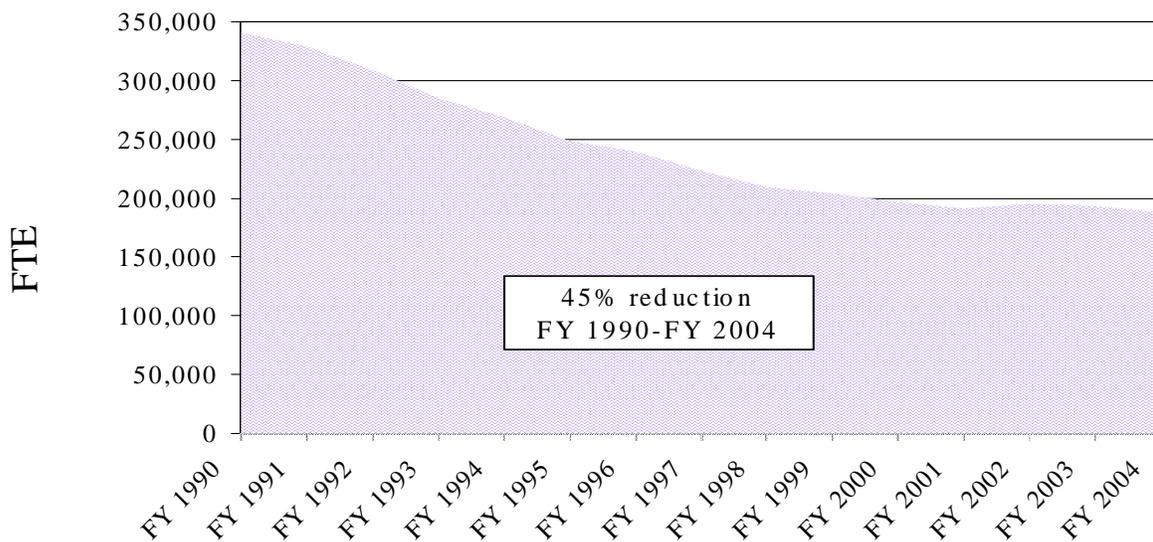
The Department of the Navy budget includes the following civilian personnel end strength and Full Time Equivalent (FTE) workyear estimates:

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
End Strength	195,851	193,735	188,633
FTE Workyears	194,998	193,158	188,129

Approximately 55 percent of the Department’s civilian personnel are funded directly by operating appropriations and provide direct fleet support at Navy and Marine Corps bases and stations, the engineering, development, acquisition and life cycle support of weapon systems, as well as Navy Fleet/Marine Corps operations support. A significant portion of civilian personnel work at Navy Working Capital Fund activities supporting depot level maintenance and repair, development of enhanced war-fighting capabilities at warfare centers and direct fleet transportation, supply, and public works support. The remaining civilian personnel provide essential support in functions such as medical care, training, and meteorological and oceanographic support.

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 13 displays historical FTE reductions in consonance with Departmental downsizing and efficiencies and Table 18 displays total civilian personnel resources.

**Chart 13 Civilian Personnel**



**Table 18**  
**Department of the Navy**  
**Civilian Manpower**  
**Full-time Equivalent**

	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
<b>Total — Department of the Navy</b>	<b>194,998</b>	<b>193,158</b>	<b>188,129</b>
<b><u>By Service</u></b>			
Navy	178,354	176,823	172,293
Marine Corps	16,644	16,335	15,836
<b><u>By Type Of Hire</u></b>			
Direct	180,650	178,871	173,836
Indirect Hire, Foreign National	14,348	14,287	14,293
<b><u>By Appropriation</u></b>			
Operation and Maintenance, Navy	83,883	80,605	86,434
Operation and Maintenance, Navy Reserve	1,524	1,588	1,510
Operation and Maintenance, Marine Corps	15,008	14,681	14,438
Operation and Maintenance, Marine Corps Reserve	152	156	155
<i>Total — Operation and Maintenance</i>	<i>100,567</i>	<i>97,030</i>	<i>102,537</i>
<i>Total — Working Capital Funds</i>	<i>90,609</i>	<i>90,988</i>	<i>80,525</i>
Military Construction, Navy	2,415	2,360	2,347
Research, Development, Test & Evaluation, Navy	1,340	1,408	1,380
Military Assistance	67	62	62
Family Housing (N/MC)	0	1,310	1,278
<i>Total — Other</i>	<i>3,822</i>	<i>5,140</i>	<i>5,067</i>
<b><u>Special Interest Areas</u></b>			
Fleet Activities	33,943	35,547	42,304
Shipyards*	18,770	19,513	11,250
Aviation Depots	10,660	10,127	10,029
Supply/Distribution/Logistics Centers	6,450	6,171	5,360
Warfare Centers	36,467	36,442	35,812
Engineering/Acquisition Commands	17,314	17,035	17,026
Medical	10,470	10,160	10,072

\*Puget Sound Shipyard will be mission funded beginning in FY 2004.

## ***Strategic Sourcing***

This budget fully supports the use of commercial business practices to improve operational effectiveness and efficiency and realize savings for modernization and recapitalization. The DoN has strived to implement this goal through strategic sourcing and has included in the budget an additional 2,000 studies to be initiated in FY 2004. While OMB Circular A-76 private/public competitions remain a primary strategic sourcing initiative for commercial functions, DoN will consider elimination, consolidation, restructuring and re-engineering options before making a sourcing decision. Strategic sourcing will help shape the DoN infrastructure to meet requirements for the 21<sup>st</sup> century and achieve savings required to modernize and recapitalize our forces.

The Department has refined its objectives and identified in excess of 100,000 civilian and military positions to be reviewed as part of this reinvention process. Additionally, the budget includes savings from planned strategic sourcing initiatives. Of the cost comparisons completed to date, 77 percent of the functions have remained in-house. The Department continues to monitor execution of these studies and current projections indicate the Department is on target to realize budgeted savings. Budget estimates reflect projected strategic sourcing annual steady state net savings of \$1.6 billion beginning in FY 2005.

***Chart 14 - Strategic Sourcing Net Savings***

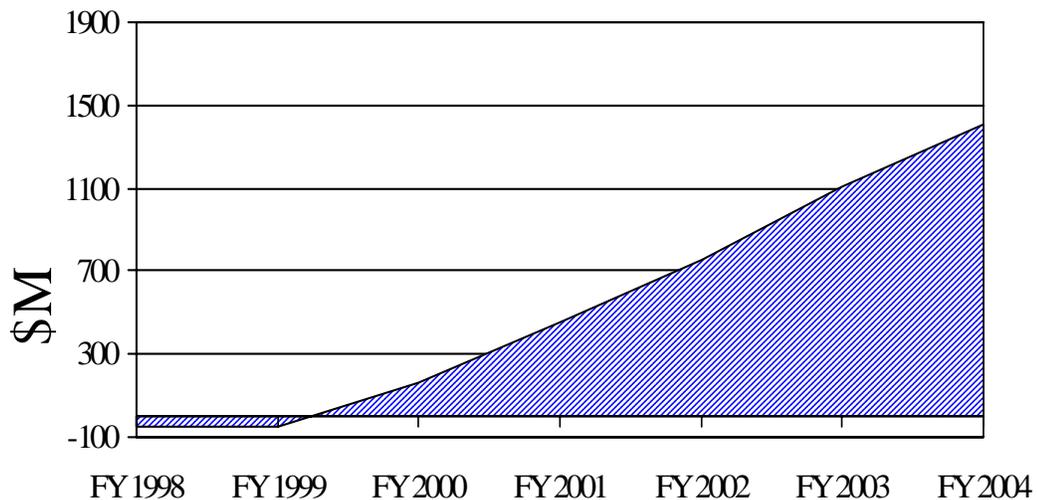


Chart 14 depicts DoN net savings estimates by fiscal year attributable to strategic sourcing initiatives.

## **OTHER BUSINESS INITIATIVES**

### ***Navy Marine Corps Intranet (NMCI)***

NMCI offers the opportunity for the DoN to leverage new technologies and industry innovation to better achieve our global Naval mission. It will enable the connection to the National infrastructure, extend sharing and creation of knowledge and expertise worldwide, empower innovative work and training, and enhance the Quality of Life for every Marine, Sailor and civilian. The connectivity NMCI provides will enable our civilians, Sailors and Marines 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 57 percent in less than one year. 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.

IMPLEMENTATION SCHEDULE							
(Cumulative Seats)							
NMCI Phasing	FY 02 Q4	FY03 Q1	FY03 Q2	FY03 Q3	FY03 Q4	FY04 Q1	Steady State
Total Navy	65,735	134,818	234,283	273,620	283,620	283,620	283,620
Total USMC	-	-	11,093	70,500	81,450	81,450	81,450
Total DoN	65,735	134,818	245,376	344,120	365,070	365,070	365,070

The budget supports total NMCI-specific costs for FY 2004 of \$1.6 billion and implementation of approximately 365,000 seats phased in quarterly as shown in the implementation schedule above with an expected steady state reached in FY 2004. The steady state seat count from the FY 2003 President's Budget has been revised to reflect a change in the strategy for provisioning the Selected Reserve community. Previous budget submissions seat counts included seats for every Reservist. Subsequent to submission of FY 2003 President's Budget, several new remote access solutions have been approved which have eliminated the requirement for a dedicated NMCI seat to access NMCI from a remote location. This less costly approach allows the Department to provide network access to more users while ordering fewer seats. In accordance with the Administration's performance assessment of information technology programs, \$95 million was reduced from our NMCI budget estimates.

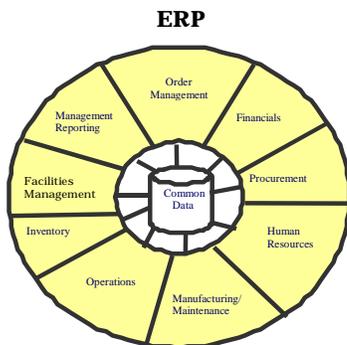
In March of 2002, the Secretary of the Navy appointed a single program manager as directed by FY 2002, National Defense Authorization Act, P.L. 107-107. As of end of first quarter FY 2003, EDS, the NMCI prime contractor, has

assumed responsibility for management of over 124,000 data seats and over 56,000 of those seats have been “cutover” to the new NMCI networking environment. The program is in the process of successfully completing all Congressional and DoD oversight requirements permitting the Department to order a maximum of 310,000 seats. The final step before authorization to proceed to steady state is that NMCI must pass an OSD C3I senior level review after the operational test and evaluation is completed.

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## ***Enterprise Resource Planning***

We also have accommodated the financial requirements of our Enterprise Resource Planning (ERP) pilots. ERP is a business management system that integrates the business processes that optimize functions across the enterprise



(e.g., supply chain, finance, procurement, manufacturing/ maintenance, human resources) and enables elimination of numerous legacy systems and the streamlining of business processes. All essential data and information is entered into the system once and remains accessible to everyone involved in the business process on a real time basis - providing consistent, complete, relevant, timely and reliable information for decision making. The Department has

successfully reached the “go-live” point on all 4 pilots: (1) Program Management (2) Warfare Center Management (3) Aviation Supply and Maintenance and, (4) Regional Ship Maintenance.

All four pilots are using Commercial Off the Shelf (COTS) software that has been approved and certified by the Joint Financial Management Improvement Program (JFMIP) as being compliant with the Chief Financial Officers Act. Through process modernization, ERP will eliminate the need for interface with many non-compliant financial and feeder systems. The Military Sealift Command and Naval Security Group have already successfully implemented limited enterprise software – also COTS. In FY 2004, the Department will continue the pilot operations and is examining opportunities to “converge” the ERP pilots into a standard architecture for the future. All of these efforts are focused on improving the efficiency and performance of the support infrastructure and will enhance the Department’s goal of reducing future operating costs. Savings resulting from the four pilots are estimated to more than double by the end of FYDP as indicated in Chart 15.

**Chart 15 – ERP Savings**

<i>ERP Savings \$M</i>	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Warfare Center Management (CABRILLO)	10	10	10	10	11	11
Program Management (SIGMA)	58	202	381	394	405	521
Aviation Supply and Maintenance (SMART)	27	114	176	214	281	352
Regional Maintenance (NEMAIS)	156	299	340	365	382	384
<b>Total Savings</b>	<b>251</b>	<b>625</b>	<b>907</b>	<b>983</b>	<b>1,079</b>	<b>1,268</b>

**eBusiness**

The DoN eBusiness Operations Office is dedicated to achieving effective business solutions through eBusiness transformation. Chartered in September of 2000, the office improves effectiveness, efficiency, and service delivery across the DoN by guiding change, enabling eBusiness solutions, encouraging knowledge sharing, and returning value. The Office delivers value to the DoN in numerous ways including solutions to eBusiness problems, eBusiness advice and information, pilot funding and support, program management and customer service in both the areas of eBusiness innovation and the card management area. The Office recognizes technology as a key enabler in improving processes and achieving efficiencies; however, it is only part of the solution. The Office actively supports the Department's technology evolution by infusing eBusiness best practices into the DoN and supporting customers' business process re-engineering efforts. To ensure currency and relevancy, we align our efforts closely with those of the Functional Area Managers (FAMs), other DoN and DoD enterprise-wide initiatives, as well as OMB's E-Government Strategy in support of the President's Management Agenda. The office has an established portfolio of solutions applicable across many functional areas.

To date, over 30 eBusiness pilot projects have been funded through rigorous selection criteria. Development of these solutions is accomplished through a rapid prototyping process. This process provides a structured approach to "quick prototyping" (90-120 days) of working eBusiness systems, with limited outlay of capital (under \$1 million). This allows for solutions to be tested on a limited scale to determine whether the solution is viable for use across the Department of the Navy. If solutions are not viable, less time and capital investment is lost than with a full-scale development and implementation, and valuable lessons are learned. Successful pilots form the basis of solutions, which are implemented across the enterprise. These pilot projects have provided solutions in a variety of areas including Distance Support, Maintenance/Engineering, Readiness, Communications, Supply Chain Management, Medical and Procurement. For example, the Medical Appointing project revolutionized customer service in the medical community through infusing technology into the appointment process, allowing for follow on specialty appointments to be made at the time of the initial visit to the primary care provider. Another example of an extremely successful project is Military Flight Operations Quality Assurance

pilot with Office of the Deputy Assistant Secretary of the Navy, Safety (ODASN(S)). This project improved aviation safety and readiness through the use of a small flight recorder, which allows complete flight data to be downloaded into a PDA and transferred to a PC for high fidelity playback of an entire flight, transforming pilot training and minimizing or eliminating willful violations of performance parameters.

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**Managing Risk – Performance Metrics**

The FY 2004 Budget consolidates performance management goals of the President’s Management Agenda with the FY 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 initial cascading performance metrics/outcomes for each DoD risk area, are shown below:

FORCE MANAGEMENT RISK		OPERATIONAL RISK	
Maintain a Quality Force	Ensure Sustainable Military Tempo	Do We Have the Forces Available	Are They Currently Ready
Maintain Reasonable Force Costs	Shape the Force of the Future	Are the Critical Needs, Systems, People, Sustainment, and Infrastructure Available	Are We Prepared for Successful Strategy and Plan Execution
INSTITUTIONAL RISK		FUTURE CHALLENGES RISK	
Streamline Decision Processes Drive Financial Management and Acquisition Excellence	Improve the Readiness and Quality of Key Facilities	Drive Innovative Joint Operations (CONOPs, Experiments, etc.)	Define Future 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 Government Performance and Results Act.

The information below provides pages references to the performance information contained in this document and in detailed budget justification materials supporting the FY 2004 President's budget submission.

**Force Management – providing a trained and ready force is the leading output or business of the Department of Defense**

- Navy/Marine Corps Today 2-1
- Active Navy and Marine Corps End Strength 2-19, 2-21
- Reserve Navy and Marine Corps End Strength 2-20, 2-22
- Enlisted Recruiting and Retention 2-17, 2-19, 2-21
- Quality of Recruits 2-17, 2-21
- Quality of Life (QOL) Initiatives 2-17 – 2-18
- PERSTEMPO 2-16
- Total Paid Compensation 2-17
- Civilian Workforce 4-11

The Navy and Marine Corps 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 Department has budgeted the resources to reduce BAH out of pocket expenses to 3.5% in FY 2004, as well as improved quality of service for our members and their families, to reduce risk in this area. The DoN continues to be encouraged by achievement of recruiting goals and improved retention in the career force.

**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**

- Navy and Marine Corps Force Levels 2-2 – 2-7
- Deployed OPTEMPO (Ship, Aircraft) 2-3, 2-10 – 2-11
- Forward Stationed Forces 2-1
- Naval Force Readiness 2-1 – 2-15
- Battle Force/Reserve/Strategic Sealift Ships 2-2, 2-4 – 2-5, 3-3
- Aircraft Force Structure 2-9, 3-7
- Marine Corps Land Forces 2-15, 3-13
- Aircraft Flying Hour Program/Mission Readiness 2-10 – 2-11
- Aircraft Squadron Material Readiness 2-12

- Aircraft Depot Maintenance 2-12
- Ship Steaming Days 2-3 – 2-4
- Ship Depot Maintenance 2-5 – 2-6
- Ship Deferred Maintenance 2-6 – 2-7
- Surge Sealift Capacity 2-5

Key readiness accounts are funded to ensure that our forces are prepared to meet any tasking. Deployed air/ship/MEF 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 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. Additionally, TACAIR integration is implemented to achieve an optimum balance of efficiency and warfighting effectiveness while reducing the number of F/A-18 squadrons. Funding continues for the 4<sup>th</sup> MEB to detect, deter, defend and conduct initial incident response to combat the threat of terrorism.

**Future Challenges – 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.**

- Naval Power 21 1-2 – 1-7
- Ship Programs 3-1 – 3-3
- Aviation Programs 3-6 – 3-7
- USMC Programs – Ground Equipment 3-13 – 3-14
- Major Ship Weapons 3-4
- Major Aviation Weapons 3-8
- R&D Investment on the Future 3-15 – 3-17
- Focus Science & Technology (R&D) Investment 3-15
- C4ISR Programs 3-12, 4-14
- Sea Trials 1-7, 3-15

The Department's budget has bought down future risk with its robust recapitalization program. The budget contains funding for seven new construction ships and 100 aircraft in FY 2004. The program also include funding for transformational initiatives such as JSF, V-22, DD(X), CVN 21, priority aviation capability enhancements (Advanced Hawkeye), and advanced communications (MUOS).

**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.**

- Navy Marine Corps Intranet 4-14
- Enterprise Resource Planning 4-15
- e Business 4-16
- Strategic Sourcing/A-76 Competitions 4-13
- Base Realignment and Closure 4-7
- Military Construction and Family Housing 4-1 – 4-4
- Facility Sustainment Restoration and Modernization 4-5
- 67 Year Recaptialization Rate 4-5

This budget represents the Department's commitment to improve the acquisition processes, make facility structure more efficient, and better manage resources. The Navy Marine Corps Intranet, Enterprise Resource Planning, and our E-business office 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 System Commands and other shore activities to find efficiencies, reduce contractor support and eliminate legacy information systems.

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### ***Other Performance Metrics***

Throughout the Highlights 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, and Budgeting System (PPBS). PPBS accommodates the integration of operational goals, risk management, and performance across the broad spectrum of DoN missions. These metrics are also contained in budget justification materials supporting the FY 2004 President's Budget submission.

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## ***SECTION V - FINANCIAL SUMMARY***

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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 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
<b>Total Obligational Authority (TOA)</b>	<b>104,836</b>	<b>111,184</b>	<b>114,720</b>
Receipts and Other Funds	-115	-79	-143
Expiring Balances	156	-	-
Rescissions of FY 2002 Program	96	-96	-
Rescissions of Prior Year Programs	-138	-7	-
Shipbuilding Transfers	-121	-	-
NWF Contract Authority	819	-	-
Land Sales Revenue	-	-	-68
Programs Financed with Prior Balances	-162	-65	-13
Construction/Housing Financing Adjustments	58	50	-
<b>Total Budget Authority</b>	<b>105,429</b>	<b>110,987</b>	<b>114,496</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, Office of Naval Records and History Fund, Naval Academy General Gift Fund, environmental restoration of Kaho'olawe Island in Hawaii, Ship Store Profits, Midshipman Store and the Naval Academy 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 2002 program reduces BA in FY 2003 and reduces TOA in FY 2002.

Expiring balances also contribute to the difference between TOA and BA. Expiring balances are funds that were included in BA available for FY 2002 accounts, but were not obligated prior to the end of the fiscal year. These amounts are included in BA totals but not TOA.

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

Land sales revenue is generated by the sale of bases 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.

Construction/Housing finance adjustments are transfers authorized to shift authority many different program years supporting efforts such as the Family Housing Improvement Fund.

The TOA and BA levels for FY 2002 through FY 2004 along with DoN outlay estimates, are summarized in Table 19.

**Table 19****Department of the Navy****Summary of Direct Budget Plan (TOA), Budget Authority, and Outlays***(Dollars in Millions)*

Account	TOA			BA			OUTLAY		
	FY 2002	FY 2003	FY 2004	FY 2002	FY 2003	FY 2004	FY 2002	FY 2003	FY 2004
MPN	20,281	21,905	25,292	20,236	21,905	25,292	20,455	21,635	25,064
MPMC	7,603	8,492	9,559	7,588	8,492	9,559	7,617	8,340	9,496
RPN	1,661	1,908	-	1,671	1,908	-	1,596	1,864	176
RPNC	467	554	-	468	554	-	447	552	54
O&M,N	28,285	29,105	28,288	28,366	29,042	28,288	27,205	28,755	28,118
O&M,MC	2,965	3,521	3,407	2,963	3,519	3,407	2,932	3,402	3,368
O&M,NR	1,013	1,208	1,172	1,019	1,208	1,172	999	1,183	1,174
O&M,MCR	140	179	174	140	179	174	152	162	174
ERN	-	256	256	-	256	256	-	56	171
NWCF	-	40	130	819	40	130	-641	205	254
Payment to Kahoolawe	76	75	-	67	75	-	71	75	-
APN	7,993	8,649	8,788	7,987	8,627	8,788	8,489	7,891	8,405
WPN	1,413	1,833	1,992	1,390	1,829	1,992	1,567	1,519	1,715
SCN	9,278	9,073	11,439	9,181	9,049	11,439	8,286	7,954	7,705
OPN	4,173	4,535	4,679	4,155	4,519	4,679	3,859	4,321	4,241
PMC	942	1,358	1,071	939	1,355	1,071	1,386	1,062	1,119
PANMC	718	1,146	922	717	1,144	922	615	693	909
Coastal Defense	0	-	-	-	-	-	-	-	-
RDT&EN	11,379	13,631	14,107	11,387	13,597	14,107	10,359	12,231	13,546
NDSF	789	928	1,063	789	928	1,063	728	1,271	1,025
Oth Rev & Mgt Fnd	-	-	-	-	-	-	-	-	-
<b>Total DoD Bill</b>	<b>99,175</b>	<b>108,392</b>	<b>112,339</b>	<b>99,882</b>	<b>108,225</b>	<b>112,339</b>	<b>96,124</b>	<b>103,171</b>	<b>106,714</b>
MCON	1,139	1,305	1,133	1,116	1,304	1,133	913	1,045	1,183
MCNR	53	75	28	52	75	28	38	68	61
FH(Con)	273	279	186	328	332	184	435	313	315
FH(Ops)	892	862	853	900	862	853	848	908	908
BRC	247	270	181	208	268	102	286	315	234
Total MILCON Bill	2,603	2,791	2,380	2,604	2,841	2,300	2,519	2,648	2,701
Receipts and Other Funds	-	-	-	-115	-79	-143	-179	-178	-104
DERF	3,058	-	-	3,058	-	-	1,542	1,517	-
<b>Total, DoN</b>	<b>104,836</b>	<b>111,184</b>	<b>114,720</b>	<b>105,429</b>	<b>110,987</b>	<b>114,496</b>	<b>100,006</b>	<b>107,158</b>	<b>109,311</b>

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## **MILITARY PERSONNEL, NAVY**

**Table A-1**

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

	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
Pay and Allowances of Officers	5,232	5,291	5,594
Pay and Allowances of Enlisted	13,355	14,877	15,914
Pay and Allowances of Midshipmen	50	51	53
Subsistence of Enlisted Personnel	906	914	932
Permanent Change of Station Travel	659	712	698
Other Military Personnel Costs	79	60	73
Reserve Personnel Forces, Navy*	-	-	2,028
<b>Total: MPN</b>	<b>\$20,281</b>	<b>\$21,905</b>	<b>\$25,292</b>

**End Strength**

Officers	54,476	53,866	53,608
Enlisted	324,351	317,834	316,192
Midshipmen	4,281	4,000	4,000
<b>Total: End Strength</b>	<b>383,108 **</b>	<b>375,700</b>	<b>373,800</b>

\* Transferred from RPN

\*\* Navy end strength is within 2% of authorized levels in FY 2002.

## **MILITARY PERSONNEL, MARINE CORPS**

**Table A-2**

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

	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
Pay and Allowances of Officers	1,626	1,684	1,770
Pay and Allowances of Enlisted	5,235	6,035	6,428
Subsistence of Enlisted Personnel	427	442	441
Permanent Change of Station Travel	264	289	288
Other Military Personnel Costs	51	42	45
Reserve Personnel Forces, Marine Corps*	-	-	587
<b>Total: MPMC</b>	<b>\$7,603</b>	<b>\$8,492</b>	<b>\$9,559</b>
<b>End Strength</b>			
Officers	18,288	18,088	18,088
Enlisted	155,445	156,912	156,912
<b>Total: End Strength</b>	<b>173,733 **</b>	<b>175,000</b>	<b>175,000</b>

\* Transferred from RPMC

\*\* Marine Corps end strength is within 2% of authorized levels in FY 2002.

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## ***MILITARY PERSONNEL, NAVY RESERVE FORCES***

***Table A-3***

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

	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004*</b>
Unit and Individual Training	672	819	-
Other Training and Support	989	1,088	-
<b>Total: MPNRF</b>	<b>\$1,661</b>	<b>\$1,907</b>	<b>\$0</b>

**End Strength**

Drilling Reserve	73,142	73,202	71,516
Full-time Support	14,816	14,742	14,384
<b>Total: End Strength</b>	<b>87,958 **</b>	<b>87,944</b>	<b>85,900</b>

\* Transferred to MPN

\*\* Navy Reserve Forces end strength is within 2% of authorized levels in FY 2002.

## **MILITARY PERSONNEL, MARINE CORPS RESERVE FORCES**

**Table A-4**

**Department of the Navy**  
**Military Personnel, Marine Corps Reserve Forces**  
*(Dollars in Millions)*

	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004*</b>
Unit and Individual Training	250	325	-
Other Training and Support	217	229	-
<b>Total: MPMCRF</b>	<b>\$467</b>	<b>\$554</b>	<b>\$0</b>

**End Strength**

Drilling Reserve	37,611	37,297	37,339
Full-time Support	2,294	2,261	2,261
<b>Total: End Strength</b>	<b>39,905 **</b>	<b>39,558</b>	<b>39,600</b>

\* Transferred to MPMC

\*\* Marine Corps Reserve Forces end strength is within 2% of authorized levels in FY 2002.

## **OPERATION AND MAINTENANCE, NAVY**

**Table A-5**

**Department of the Navy**  
**Operation and Maintenance, Navy**  
*(Dollars in Millions)*

	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
<b><u>Operating Forces</u></b>			
Air Operations	5,554	5,177	5,498
Ship Operations	7,864	8,298	7,755
Combat Operations/Support	2,170	2,020	2,072
Weapons Support	1,305	1,420	1,468
NWCF Support	2	-120	-448
Base Support	3,604	4,082	3,690
<b>Total - Operating Forces</b>	<b>20,499</b>	<b>20,877</b>	<b>20,035</b>
<b><u>Mobilization</u></b>			
Ready Reserve and Prepositioning Forces	505	527	507
Activations/Inactivations	245	186	175
Mobilization Preparedness	51	47	45
<b>Total - Mobilization</b>	<b>801</b>	<b>760</b>	<b>727</b>
<b><u>Training and Recruiting</u></b>			
Accession Training	186	203	217
Basic Skills and Advanced Training	1,023	1,089	1,219
Recruiting and Other Training and Education	420	453	461
Base Support	544	667	575
<b>Total - Training and Recruiting</b>	<b>2,173</b>	<b>2,412</b>	<b>2,472</b>
<b><u>Administration and Servicewide Support</u></b>			
Servicewide Support	1,678	1,883	1,873
Logistics Operations and Technical Support	2,096	1,938	2,017
Investigations and Security Programs	709	844	802
Support of Other Nations	11	10	11
Base Support	309	380	351
Other	9	-	-
<b>Total - Administration and Servicewide Support</b>	<b>4,812</b>	<b>5,055</b>	<b>5,054</b>
<b>Total: O&amp;MN</b>	<b>\$28,285</b>	<b>\$29,104</b>	<b>\$28,288</b>

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

**Table A-6**

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

	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
<b><u>Operating Forces</u></b>			
Expeditionary Forces	2,111	1,014	1,010
USMC Prepositioning	87	83	81
Base Support	-	1,609	1,411
<b>Total - Operating Forces</b>	<b>2,198</b>	<b>2,706</b>	<b>2,502</b>
<b><u>Training and Recruiting</u></b>			
Accession Training	103	12	11
Basic Skills and Advanced Training	225	156	174
Recruiting and Other Training & Education	156	161	164
Base Support	0	196	228
<b>Total - Training and Recruiting</b>	<b>484</b>	<b>525</b>	<b>577</b>
<b><u>Administration and Servicewide Support</u></b>			
Servicewide Support	282	270	305
Cancelled Accounts	1	-	-
Base Support	-	20	22
<b>Total - Administration and Servicewide Support</b>	<b>283</b>	<b>290</b>	<b>327</b>
<b>Total: O&amp;MMC</b>	<b>\$2,965</b>	<b>\$3,521</b>	<b>\$3,407</b>

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

***Table A-7***

***Department of the Navy  
Operation and Maintenance, Navy Reserve  
(Dollars in Millions)***

	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
<b><u>Operating Forces</u></b>			
Air Operations	542	547	575
Ship Operations	135	164	155
Combat Operations/Support	36	67	65
Weapons Support	6	6	6
Base Support	212	276	193
<b>Total - Operating Forces</b>	<b>931</b>	<b>1,059</b>	<b>994</b>
<b><u>Administration and Servicewide Support</u></b>			
Servicewide Support	82	149	178
Cancelled Accounts	1	-	-
<b>Total - Administration and Servicewide Support</b>	<b>82</b>	<b>149</b>	<b>178</b>
<b>Total: O&amp;M, NR</b>	<b>\$1,013</b>	<b>\$1,208</b>	<b>\$1,172</b>

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

**Table A-8**

**Department of the Navy**

**Operation and Maintenance, Marine Corps Reserve**

*(Dollars in Millions)*

	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
<b><u>Operating Forces</u></b>			
Expeditionary Forces	107	93	97
Base Support	-	51	43
<b>Total - Operating Forces</b>	<b>107</b>	<b>144</b>	<b>140</b>
<b><u>Administration and Servicewide Support</u></b>			
Servicewide Support	33	26	27
Base Support	-	9	7
<b>Total - Administration and Servicewide Support</b>	<b>33</b>	<b>35</b>	<b>34</b>
<b>Total: O&amp;MMCR</b>	<b>\$140</b>	<b>\$179</b>	<b>\$174</b>

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

***Table A-9a***

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***Department of the Navy  
Environmental Restoration, Navy  
(Dollars in Millions)***

	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
Environmental Restoration Activities	-	256	256
<b>Total: ERN</b>	<b>\$0</b>	<b>\$256</b>	<b>\$256</b>

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

***Table A-9b***

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***Department of the Navy  
Kaho'olawe Island  
(Dollars in Millions)***

	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
Kaho'olawe Island	76	75	-
<b>Total: Kaho'olawe Island</b>	<b>\$76</b>	<b>\$75</b>	<b>\$-</b>

# AIRCRAFT PROCUREMENT, NAVY

**Table A-10**

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

	FY 2002		FY 2003		FY 2004	
	<u>QTY</u>	<u>\$</u>	<u>QTY</u>	<u>\$</u>	<u>QTY</u>	<u>\$</u>
Combat Aircraft	75	4,446	77	5,024	81	5,285
Airlift Aircraft	1	7	2	70	3	80
Trainer Aircraft	13	211	12	242	16	364
Other Aircraft *	2	155	8	310	4	81
Modification of Aircraft	-	1,348	-	1,397	-	1,279
Aircraft Spares and Repair Parts	-	1,326	-	1,066	-	1,158
Aircraft Support Equipment and Facilities	-	500	-	539	-	541
<b>Total: APN</b>	<b>91</b>	<b>\$7,993</b>	<b>99</b>	<b>\$8,648</b>	<b>104</b>	<b>\$8,788</b>

\* Includes F-5 aircraft (4 FY03, 4 FY04).

## **WEAPONS PROCUREMENT, NAVY**

**Table A-11**

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

	FY 2002		FY 2003		FY 2004	
	QTY	\$	QTY	\$	QTY	\$
<b><u>Ballistic and Other</u></b>						
TRIDENT II	12	536	12	576	12	677
Tomahawk	25	73	167	244	267	278
AMRAAM	55	37	100	50	53	38
AIM-9X	105	26	284	52	167	36
JSOW	-	-	165	101	429	138
SLAM-ER	30	26	120	82	84	54
STANDARD	96	155	93	153	75	148
RAM	90	46	90	64	90	48
ESSM	13	41	23	43	105	113
Other	-	235	-	178	-	163
<b><u>Torpedoes and Related Equipment</u></b>						
Mk-48 ADCAP	-	42	-	61	-	60
Other	-	75	-	89	-	104
<b><u>Other Weapons/Spares</u></b>						
Gun Mount Mods	-	26	-	11	-	27
CIWS & MODS	-	44	-	58	-	41
All Other	-	51	-	71	-	67
<b>Total: WPN</b>	<b>426</b>	<b>\$1,413</b>	<b>1,054</b>	<b>\$1,833</b>	<b>1,282</b>	<b>\$1,992</b>

## SHIPBUILDING AND CONVERSION, NAVY

**Table A-12**

(Includes ship quantities funded in other appropriations)

**Department of the Navy**  
**Shipbuilding and Conversion, Navy**  
(Dollars in Millions)

	FY 2002		FY 2003		FY 2004	
	QTY	\$	QTY	\$	QTY	\$
<b><u>New Construction</u></b>						
CVN-21	-	317	-	484	-	1,187
SSN 774	1	2,479	1	2,427	1	2,528
DDG-51	3	3,227	2	2,668	3	3,198
DDX	-	*	-	*	-	*
LCS	-	*	-	*	-	*
LPD-17	-	418	1	1,154	1	1,192
LHD-1	1	256	-	238	-	355
T-AKE	-	**	1	**	2	**
<b>Total - New Construction</b>	<b>5</b>	<b>\$6,697</b>	<b>5</b>	<b>\$6,971</b>	<b>7</b>	<b>\$8,460</b>
<b><u>Conversions</u></b>						
SSGN Conversion	-	354	2	996	2	1,167
Cruiser Conversion	-	65	-	-	1	194
<b>Total - Conversion</b>	<b>-</b>	<b>\$419</b>	<b>2</b>	<b>\$996</b>	<b>3</b>	<b>\$1,361</b>
<b><u>Other</u></b>						
CVN RCOH	1	1,275	-	217	-	368
Submarine ROH	2	543	2	490	-	164
LCU(R)	-	3	-	0	-	-
LCAC SLEP	2	46	4	88	3	73
Outfitting	-	294	-	294	-	346
Service Craft	-	-	-	10	-	31
Mine Hunter	-	1	-	7	-	-
Completion of PY Shipbuilding	-	-	-	0	-	636
<b>Total - Other</b>	<b>5</b>	<b>2,162</b>	<b>6</b>	<b>1,106</b>	<b>3</b>	<b>1,618</b>
<b>Total: SCN</b>		<b>\$9,278</b>		<b>\$9,073</b>		<b>\$11,439</b>

\* Funded in R&D

\*\* Funded in NDSF

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## ***OTHER PROCUREMENT, NAVY***

### ***Table A-13***

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

	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
Ship Support Equipment	768	1,152	1,135
Communications and Electronics Equipment	1,506	1,711	2,003
Aviation Support Equipment	244	248	253
Ordnance Support Equipment	592	592	600
Civil Engineering Support Equipment	97	168	95
Supply Support Equipment	456	169	110
Personnel and Command Support Equipment	258	317	237
Spares and Repair Parts	252	178	246
<b>Total: OPN</b>	<b>\$4,173</b>	<b>\$4,535</b>	<b>\$4,679</b>

## **PROCUREMENT, MARINE CORPS**

**Table A-14**

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

	FY 2002		FY 2003		FY 2004	
	<u>QTY</u>	<u>\$</u>	<u>QTY</u>	<u>\$</u>	<u>QTY</u>	<u>\$</u>
<b><u>Weapons and Combat Vehicles</u></b>						
AAV7A1 PIP	170	75	85	62	-	11
AAAV	-	-	1	16	-	98
LAV PIP	-	25	-	52	-	13
HIMARS	-	-	2	8	1	18
Improved Recovery Vehicle (IRV)	8	20	-	4	-	4
155MM Lightweight Towed Howitzer	-	-	34	62	60	111
Other	-	12	-	42	-	42
<b><u>Guided Missiles and Equipment</u></b>						
Predator (SRAW)	-	-	445	36	526	36
Other	-	4	-	10	-	4
<b><u>Communication &amp; Electronics Equipment</u></b>						
Unit Operations Center	-	-	-	-	-	29
Common Computer Resources	-	27	-	38	-	62
Radio Systems	-	37	-	28	-	11
Comm & Elec Infrastructure Support	-	9	-	26	-	24
Mod Kits MAGTF C41	-	9	-	37	-	21
Night Vision Equipment	-	30	-	23	-	24
Intelligence Support Equipment	-	12	-	37	-	12
Other	-	75	-	168	-	204
<b><u>Support Vehicles</u></b>						
5/4T Truck HMMWV (MYP)	1,456	111	1,650	116	1,738	125
Medium Tactical Vehicle Replacement	1,946	292	1,405	338	-	5
Commercial Passenger Vehicle	-	2	28	1	30	1
Other	-	10	-	19	-	17
<b><u>Engineer And Other Equipment</u></b>						
	-	166	-	211	-	180
<b><u>Spares and Repair Parts</u></b>						
	-	27	-	24	-	22
<b>Total: PMC</b>		<b>\$942</b>		<b>\$1,358</b>		<b>\$1,071</b>

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

***Table A-15***

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

	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
Navy Ammunition	571	865	690
Marine Corps Ammunition	147	281	232
<b>Total: PANMC</b>	<b>\$ 718</b>	<b>\$1,146</b>	<b>\$922</b>

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

**Table A-16**

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

	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
Basic Research	395	412	457
Applied Research	755	806	536
Advanced Technology Development	847	813	722
Demonstration and Validation	2,565	2,709	2,600
Engineering and Manufacturing Development	3,606	5,265	6,239
RDT&E Management Support	878	704	651
Operational Systems Development	2,333	2,922	2,902
<b>Total: RDT&amp;E,N</b>	<b>\$11,379</b>	<b>\$13,631</b>	<b>\$14,107</b>

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## ***NATIONAL DEFENSE SEALIFT FUND***

### ***Table A-17***

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***Department of the Navy  
National Defense Sealift Fund  
(Dollars in Millions)***

	<b>Qty * FY 2002</b>	<b>Qty * FY 2003</b>	<b>Qty * FY 2004</b>
Strategic Sealift Acquisition	- 361	1 386	2 722
DoD Mobilization Assets	- 170	- 273	- 124
Research and Development	- 10	- 14	- 13
Ready Reserve Force	- 248	- 255	- 204
<b>Total: NDSF</b>	<b>- \$789</b>	<b>1 \$928</b>	<b>2 \$1,063</b>

\* Quantities also displayed in SCN Table A-12

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

**Table A-18**

**Department of the Navy**  
**Military Construction**  
(Dollars in Millions)

	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
Significant Programs			
Operational & Training Facilities	196	307	361
Maintenance & Production Facilities	146	149	163
R&D Facilities	36	57	45
Supply Facilities	24	10	14
Administrative Facilities	73	5	2
Housing Facilities	430	277	269
Community Facilities	37	181	2
Utility Facilities	113	196	168
Pollution Abatement	34	11	31
Unspecified Minor Construction	13	26	12
Planning And Design	37	86	66
<b>Total: Navy</b>	<b>\$1,139</b>	<b>\$1,305</b>	<b>\$1,133</b>
<b>Naval Reserve</b>	<b>53</b>	<b>75</b>	<b>28</b>
<b>Total: Naval Reserve</b>	<b>\$53</b>	<b>\$75</b>	<b>\$28</b>

## ***FAMILY HOUSING, NAVY***

***Table A-19***

***Department of the Navy***  
***Family Housing, Navy***  
*(Dollars in Millions)*

	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
<b>Navy</b>			
Construction	203	231	60
O&M	737	702	711
<b>Total: Navy</b>	<b>940</b>	<b>933</b>	<b>771</b>
<b>Marine Corps</b>			
Construction	123	146	126
O&M	155	159	142
<b>Total: Marine Corps</b>	<b>278</b>	<b>305</b>	<b>268</b>
<b>Total: FH,N*</b>	<b>\$1,218</b>	<b>\$1,238</b>	<b>\$1,039</b>

\* FY 2002 and FY 2003 do not include estimated pending transfers to FHIF of \$53M and \$97M, respectively.

**New Construction Projects**

Navy	3	6	2
Marine Corps	4	4	3

**Construction Units**

Navy	240	399	212
Marine Corps	336	748	858

**Average Number of Units**

Navy	55,399	51,439	47,236
Marine Corps	22,919	21,552	18,238

**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 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
BRAC IV	247	270	*181
<b>Total: BRAC</b>	<b>\$247</b>	<b>\$270</b>	<b>\$181</b>

**Annual Steady State**

<b>SAVINGS</b>	<b>FY 2003</b>
BRAC II	466
BRAC III	1,360
BRAC IV	732
<b>Total: Savings</b>	<b>2,558</b>

\*Does not include \$68M of anticipated land sales revenue.

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## **NAVY WORKING CAPITAL FUND**

**Table A-21**

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**Department of the Navy**  
**Working Capital Fund**  
*(Dollars in Millions)*

	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
Navy Working Capital Fund	-	40	130
<b>Total: NWCF</b>	<b>\$-</b>	<b>\$40</b>	<b>\$130</b>

**DEFENSE EMERGENCY RESPONSE FUND**

**Table A-22**

*Department of the Navy  
 Defense Emergency Response Fund  
 (Dollars in Millions)*

	FY 2002	FY 2003	FY 2004
Defense Emergency Response Fund	3,058	-	-
<b>Total: DERF</b>	<b>\$3,058</b>	<b>\$-</b>	<b>\$-</b>