FOR IMMEDIATE RELEASE

THE ARMY BUDGET
FISCAL YEAR 2003

Today, The Army announced details of its budget for Fiscal Year 2003, which runs from October 1, 2002 through September 30, 2003. The FY03 budget requests $91.0 billion in Total Obligation Authority from the U.S. Congress – almost $10 billion more than appropriated for this fiscal year.

The Army’s budget request for Fiscal Year 2003 supports The Army Vision – People, Readiness, and Transformation – and the strategic guidance to transform to a full spectrum force while ensuring warfighting readiness. It reflects a balanced base program that will allow The Army to remain trained and ready throughout FY03, while ensuring our force is protected as we fulfill our critical role in the global war on terrorism. This budget ensures that The Army will remain a key instrument of national security policy, serving our country well in peace and war – as it has for over 226 years.

FY02 vs. FY03 TOTAL OBLIGATION AUTHORITY
($ billions)

<table>
<thead>
<tr>
<th>Appropriation Groups</th>
<th>APPN</th>
<th>FY02</th>
<th>FY03</th>
</tr>
</thead>
<tbody>
<tr>
<td>Military Personnel</td>
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<td>$30.4</td>
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<tr>
<td>Operation and Maintenance</td>
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<tr>
<td>Procurement</td>
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<td>Military Construction</td>
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<td>2.3</td>
<td>1.6</td>
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<tr>
<td>Army Family Housing</td>
<td></td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>.7</td>
<td>1.1</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$81.1</td>
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</table>
PEOPLE

The Army is committed to retaining and recruiting the soldiers necessary to keep us the best army in the world. The FY03 budget continues to emphasize quality personnel. It mans the force – end strength of 480,000 Active Component, 350,000 Army National Guard, and 205,000 Army Reserve soldiers – and provides them with better pay and incentives. It funds a pay raise of 4.1 percent and allows for targeted raises by grade and years of service, a key component of the President’s initiatives to improve quality of life for military personnel. The Army’s FY03 civilian workforce is funded at 217,500 end strength.

The budget increases housing allowances, reducing out-of-pocket expenses for military personnel from 11.3 percent in FY02 to 7.5 percent in FY03 and puts The Army on track for eliminating average out-of-pocket costs entirely by FY05 for those soldiers and families living on the economy.

The increases for enlistment and retention bonuses will enable The Army to sustain its recent recruiting and retention successes, although some shortfalls remain. Funding for change-of-station moves improves our ability to man units at desired grade and skill levels by placing soldiers where they are needed, and further advances The Army’s Transformation.

READINESS

The FY03 budget request supports readiness and provides funding to maintain our current facilities at an acceptable level. FY03 funding improves on FY02 levels in terms of maintaining a stable training base to develop quality leaders and soldiers. Resources have been aligned to ensure our forces are trained, equipped and ready to fight. In addition, funding is provided to enhance unit training and deployability – a positive impact on overall readiness.

Operating Tempo: The Army OPTEMPO budget is a top priority and The Army is committed to improving its training and unit readiness. The budget supports a ground OPTEMPO program of 800 M1 Abrams Tank miles at home station. The Flying Hour Program is funded for an average of 14.5 required live flying hours per aircrew per month for the Active Component, and nine live aircrew flying hours for Reserve Components. We have scheduled ten brigade rotations (nine Active Component and one Army National Guard) through the National Training Center, 10 brigade rotations (nine Active Component and one Army National Guard) through the Joint Readiness Training Center, and five brigade rotations through the Combat Maneuver Training Center. The Battle Command Training Program will conduct two corps Warfighter exercises and train six division command & staff groups, an increase of one divisional staff training exercise in FY03. Additionally, funding for training enabler support has been increased 20% from FY02 levels.
Recruiting and Institutional Training: This budget supports three priorities -- man the force, train the force (institutional training), and grow leaders for the 21st century.

- To set the conditions for success in manning and readiness, The Army must recruit quality soldiers now and in the future. We will continue to emphasize recruiting and advertising so today’s youth are aware of career opportunities in The Army. To ensure we can compete for the best young people, we have increased funding for the US Military Academy and Senior Reserve Officers Training Program.

- To train the force and develop future leaders, we have increased funding in Institutional Training and the Army Continuing Education System. Institutional training funds the Training and Doctrine Command transformation, which strengthens the institutional training base. We expect an increase in the number of soldiers who will seize the opportunity to continue their education through the tuition assistance program. To develop the civilian leaders of the future, the budget also includes an increase for the Army’s Civilian Training and Education System (ACTEDS) for professional and leader development.

Mobilization Operations: The FY03 budget supports the Army’s Strategic Mobility Program, which remains the cornerstone for improving our deployment capability. The afloat prepositioned fleet has 15 ships, including eight new Large, Medium Speed Roll-on/Roll-off ships. We are realigning and upgrading our brigade sets on land consistent with our Global Prepositioning Strategy. Prepositioned stocks in Europe are being reconfigured from three brigade sets into a tailored set to support European Command (EUCOM) contingency requirements; excess stocks are being redistributed to fill shortages and increase readiness in critical Army Prepositioned Stock sets afloat in Southwest Asia and the Pacific. In FY03, we will continue deployment-outload enhancements that include infrastructure improvements, unit deployment container acquisition, and strategic deployment training.

Sustainment: Supplying and maintaining equipment for The Army’s soldiers are key components of readiness. The FY03 budget provides increased funds for the depot maintenance program and fully supports the Army’s Recapitalization Program. For other Sustainment programs, the FY03 budget provides funding to continue the same level of support provided last fiscal year to: Second Destination Transportation, Supply Depot Operations, Army Prepositioned Stocks, and Sustainment Systems Technical Support. Conventional Ammunition Stockpile Management & Surveillance remains consistent with Congressional restrictions. The budget also enables the Patriot Missile Program to address the decline in serviceable inventory due to shelf life expirations and missile reliability concerns.

Base Operations: The FY03 budget request funds over 90 percent of the base operations costs critical for the quality of life of our soldiers, retirees, families, and the civilian workforce.
Facilities: Sustainment, Restoration and Modernization (SRM) builds on the FY 02 funded levels slowing the deterioration of our aging infrastructure. SRM is also funded at over 90 percent of requirements.

TRANSFORMATION

As The Army continues its Transformation, funding an affordable, fully integrated modernization and recapitalization program is essential to provide decisive and comprehensive full-spectrum land component capabilities supporting the National Military Strategy. The attacks of September 11th reemphasized the need to accelerate our Transformation while maintaining a strategically capable Legacy Force. We are also reevaluating our anti-terrorism, counter-terrorism, force protection, and information assurance requirements to minimize risk to our Nation’s soldiers and civilians at home and abroad. To that end, we reevaluated requirements and adjusted almost $878 million in FY 2003 to further support situational awareness, force protection, command and control, and crisis response activities. The Army is buying down risk through advanced technology and new ways of applying it. Our Transformation strategy focuses on leap-ahead Science and Technology investments aimed at accelerating development of the lighter, faster, and more lethal platforms central to achieving the Objective Force. In addition, we will terminate eight Army programs and four others will transition to support the Transformation effort in FY03 (18 systems over the Future Years Defense Plan).

Science and Technology (S&T): In the FY03 budget, we invested 97 percent of our Science and Technology resources toward the design and development of the Objective Force and enabling technologies. With this funding level, The Army will begin fielding an Objective Force this decade. Key to that fielding is the Future Combat Systems (FCS), a strategically responsive, networked system-of-systems that will ensure overwhelming lethality, survivability, strategic, and tactical mobility. The Army will decide in 2003, rather than 2006, whether FCS technologies are sufficiently mature to enter Systems Development and Demonstration phase of acquisition for Block I capabilities. S&T will continue to pursue advances to be inserted into FCS as upgrades in order to sustain dominant overmatch in full-spectrum operations. The supportability strategy for FCS will detail life cycle management and develop logistics requirements as an integral part of the FCS acquisition process.

Modernization and recapitalization will set the conditions for Transformation by facilitating near-term readiness. Modernization involves the development and/or procurement of new systems with improved warfighting capabilities. The Army is committed to maintaining combat overmatch of selected current and interim systems thereby providing the capability bridge to the Objective Force.

Modernization highlights include:
• **Interim Armored Vehicle (IAV):** The FY03 budget continues funding of IAVs (303 in FY02 and 332 in FY03) for the third Interim Brigade Combat Team (IBCT).

• **Comanche:** Comanche is a multi-mission aircraft optimized for the critical battlefield mission of tactical armed reconnaissance. The FY03 budget supports continued System Development and Demonstration (SDD) and Mission Equipment Package development, component development testing, and flight-testing.

• **Crusader:** Crusader is The Army's next generation self-propelled howitzer. Crusader will provide significantly increased capabilities in the areas of lethality, mobility, survivability, and sustainability. The FY03 budget supports completion of the detailed design effort, completion of critical technologies integration and risk reduction efforts, powerpack/drive train integration of the chassis, and initiation of manufacturing of System Development and Demonstration (SDD) prototypes.

• **Shadow Tactical Unmanned Aerial Vehicle (TUAV):** TUAV provides The Army maneuver commander with dedicated real time reconnaissance, surveillance, target acquisition, and battle damage assessment. The TUAV carries electro-optical and infrared sensors which give the commander day and night capability. Each Shadow system includes four air vehicles with modular mission payloads, ground control equipment, and launch and recovery equipment. The system is fully deployable on C-130 aircraft (1xC-130 for initial capability and 3xC-130 for full capability). This system has the ability to operate at a wartime surge pace - a near 100% operational availability. TUAV’s will provide the Army a vital intelligence and targeting capability.

Recapitalization: The Army has invested, and must continue to invest, in the maintenance and upgrade of systems currently in the force to sustain capabilities, reduce the cost of ownership, and extend the life of these legacy systems. We are focusing resources on 17 systems essential to maintaining today’s warfighting readiness in selected units while accepting risk in our remaining units. The 17 systems include the AH-64 Apache, UH-60 Black Hawk, and CH-47 Chinook helicopters; the M1 Abrams tank; and the M2 Bradley fighting vehicle. Aviation modernization will eventually reduce our helicopter inventory by 25 percent and allow us to retain only three types of helicopters in service.

The ten top Procurement and Research, Development, Test and Evaluation programs by dollar value are as follows:
<table>
<thead>
<tr>
<th>SYSTEM</th>
<th>AMOUNT($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Longbow Apache</td>
<td>945.5</td>
</tr>
<tr>
<td>Interim Armored Vehicle</td>
<td>935.9</td>
</tr>
<tr>
<td>Comanche</td>
<td>910.2</td>
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<tr>
<td>Patriot</td>
<td>817.5</td>
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<tr>
<td>Future Combat Systems</td>
<td>717.0</td>
</tr>
<tr>
<td>Family of Med Tact Veh</td>
<td>683.4</td>
</tr>
<tr>
<td>Crusader</td>
<td>475.7</td>
</tr>
<tr>
<td>Abrams Upgrade</td>
<td>440.7</td>
</tr>
<tr>
<td>Bradley Base Sustainment</td>
<td>410.4</td>
</tr>
<tr>
<td>CH-47 Cargo Mods</td>
<td>409.7</td>
</tr>
</tbody>
</table>

NOTE: Amounts include both Procurement and RDTE.

**MILITARY CONSTRUCTION AND FAMILY HOUSING**

The FY03 budget provides the military facilities and soldier housing needed to improve Army readiness, quality of life, and efficiency. The Military Construction projects support the missions of The Army's Active and Reserve Components providing modernized barracks and new and renovated facilities that improve strategic mobility. The Family Housing budget includes funding for operation, maintenance, leasing, construction, revitalization, and privatization of housing both in the U.S. and overseas.

Military Construction: The FY03 budget requests $1.6 billion in FY03 for the following programs:

- The Whole Barracks Renewal program applies $728 million for construction to improve the living conditions of single soldiers.
- Strategic Mobility is enhanced by construction projects totaling $54 million.
- The first phase of Efficient Basing of a Brigade Combat Team at Grafenwoehr, Germany is supported with $70 million of construction.
- Army Transformation is supported by $195 million in construction at installations in Alaska, Washington, and Louisiana.
- Mission, training, well being, and infrastructure facility construction for the Active Army are budgeted at $439 million.
- Reserve Component construction programs total $160 million.

Army Family Housing: The FY03 budget provides for the upgrade of approximately 19% of the housing units worldwide (18,400 of 95,000). The construction portion of the
budget includes investment funding for privatization, as well as for traditional
collection. The operation and maintenance portion also includes funding for major
management and repair work in support of The Army goal to upgrade family housing by
2007.

In keeping with The Army goal to eliminate inadequate family housing by 2007, we
are privatizing some family housing through the Residential Communities Initiative
(RCI). This initiative allows The Army to select a development partner who prepares
plans and obtains private capital to construct, repair, maintain, and operate on-post AFH
in the U.S. Five privatization projects with over 17,000 military housing units are
scheduled to begin in FY03.

CHEMICAL DEMILITARIZATION PROGRAM

The Chemical Demilitarization Program continues progress in meeting the Chemical
Weapons Convention Treaty destruction milestones (the 20 percent destruction by April
2002 was met in July 2001). The FY03 budget request for the Chemical
Demilitarization Program consists of $1.5 billion in the Chemical Agents and Munitions
Destruction, Army (CAMD, A) Appropriation and $167.6 million in the Military
Construction, Army Appropriation.

The $1.5 billion in CAMD, A includes research and development ($303 million);
procurement ($213 million); and operations and maintenance ($974 million).

Significant programs funded in the budget request include continued closure
activities at the Johnston Atoll facility; continued disposal of operations at the Tooele,
Utah facility; start of operations at the Anniston, Alabama and Aberdeen, Maryland
facilities; pre-operations activities at the Umatilla, Oregon and Pine Bluff, Arkansas
facilities; and continued activities to construct the pilot facility at Newport, Indiana.

The budget request also supports the continued activities of the Non-Stockpile
Chemical Materiel Project and the Chemical Stockpile Emergency Preparedness
Program.

SUMMARY

The budget for FY03 funds The Army at sufficient levels to support national defense,
our critical role in the global war on terrorism and homeland security. It funds People
programs that ensure continued manning of the force and its well being. The budget
maintains The Army’s warfighting readiness, and continues The Army Transformation to
a full spectrum 21st century force.

The Army budget reflects a program that balances our most critical needs for today’s
readiness with the demands of transforming to tomorrow’s versatile and agile land force.
The Army must be able to respond to unpredictable threats into the foreseeable future.
We must win the war on terrorism, provide for homeland security, and prepare for future wars. Resources must keep pace so that we can support with these goals.

With the resources outlined in the FY03 budget, and with the continued support of Congress and the Administration, The Army will continue to meet its obligations to our Nation and our allies, as we have for over the previous two centuries.

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For more information, please contact the Army Public Affairs Media Relations Division at 703-697-4314/7592/7591.