



U.S. Army NEWS RELEASE

Army Public Affairs
Washington, D.C. 20310

FOR IMMEDIATE RELEASE

#R-03-006 February 3, 2003

THE ARMY BUDGET FISCAL YEAR 2004

Today, The Army announced details of its budget for Fiscal Year 2004, which runs from October 1, 2003, through September 30, 2004. The FY04 budget requests \$93.9 billion in Total Obligation Authority from the U.S. Congress – \$3 billion more than appropriated for this fiscal year.

For over 227 years, The Army has been fulfilling the Department of Defense's (DoD) non-negotiable contract with the American people to fight and win our Nation's wars – decisively. The Army's budget request for Fiscal Year 2004 continues to support The Army Vision – People, Readiness, and Transformation – and our efforts to change quickly into a more responsive, deployable, agile, versatile, lethal, survivable, and sustainable force. America's military is the most powerful in the world.

FY03 – FY05 TOTAL OBLIGATION AUTHORITY (\$B)

<u>Appropriation Groups</u>	<u>APPN</u>		
	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>
Military Personnel	\$35.3	\$37.4	\$39.3
Operation and Maintenance	30.4	31.5	32.7
Procurement	12.5	10.8	11.1
Research, Development, Test and Evaluation	7.5	9.1	9.5
Military Construction	2.0	1.8	2.4
Army Family Housing	1.3	1.4	1.8
Chemical Demilitarization	1.4	1.7	1.5
Other	<u>.5</u>	<u>.2</u>	<u>.1</u>
Total	\$90.9	\$93.9	\$98.4

The central theme of this budget is: Meeting today's threats while preparing for tomorrow's challenges. This balanced budget allows The Army to remain the most

respected landpower to our allies and the most feared ground force to those who would threaten the interests of the United States. While fighting the Global War on Terrorism, The Army is in the midst of one of the most profound periods of transformation in its history. Nonetheless, this budget reflects the tenets of the President's Management Agenda to be good stewards of the taxpayers' dollars and embed a cost culture in our daily operations. The budget funds a balanced plan with strong support for:

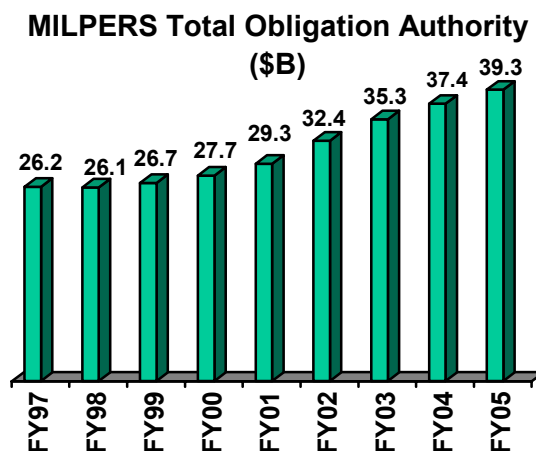
- Winning the Global War on Terrorism and Maintaining Readiness
- Taking Care of People
- Transforming The Army

Winning the Global War on Terrorism

The FY04 request continues the increased focus on defeating terrorism. In his FY03 budget, President Bush added nearly \$10 billion to the DoD baseline funding to enable it to acquire greater capabilities and to fulfill other requirements related to the war on terrorism. This year, that added funding is helping the DoD sustain its ability to wage an intense fight against terrorism.

The FY04 funding categorized as Combating Terrorism totals \$2 billion. Funded priorities include access control equipment, such as lighting, communications, and barriers (fixed and portable). It also provides Body Armor for security personnel, salaries for Department of the Army police and security officers and contract guards, heavy armored vehicles for Joint Combatant Commanders, intrusion detection systems and up-armored High-Mobility, Multipurpose Wheeled Vehicle.

PEOPLE -- OUR MOST VALUABLE RESOURCE



The Army Vision begins and ends with people. People are central to everything we do in The Army. Platforms and organizations do not defend the Nation; people do. Without highly skilled, competent, and dedicated people, it does not matter how lethal our weapons may be. This has never been more important than now, as we continue to mobilize and deploy Soldiers in support of the Global War on Terrorism. The FY04

budget renews our emphasis of manning the force, maintaining the well-being of our people, and developing our Objective Force leaders. 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. A key component of the President’s initiatives is to improve quality of life for military personnel. This budget provides Soldiers with an average pay increase of 4.1 percent. The Army’s FY04 authorized civilian workforce of 222,761 Full-Time Equivalents is budgeted to receive a 2 percent pay raise.

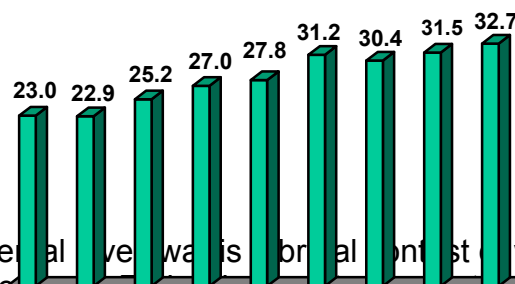
The budget increases housing allowances, thereby reducing out-of-pocket expenses for military personnel from 7.5 percent in FY03 to 3.5 percent in FY04. This continues The Army’s move to eliminate average out-of-pocket costs entirely by FY05 for those Soldiers and families residing off post.

Budgeted levels for enlistment and retention bonuses enable The Army to sustain its recent recruiting and retention successes. 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. This will advance The Army’s Transformation.

The President’s Budget proposes a new initiative to consolidate each Service’s military personnel appropriations. The Army’s appropriations Military Personnel, Active (MPA), Reserve Personnel, Army (RPA) and National Guard Personnel, Army (NGPA) will be structured under the one appropriation symbol, 2010. With Congressional approval, the proposed appropriation will contain unique identification characteristics for each Army component.

READINESS – WINNING OUR NATION’S WARS

**O & M Total Obligation Authority
(\$B)**



At its most fundamental level, war is a brutal contest of wills. Winning decisively means dominating the enemy. To be dominant, we must be trained fully and organized, manned, and equipped properly. Readiness remains The Army’s top priority in fulfilling the non-negotiable contract with the American people to fight and win the Nation’s wars – decisively. The FY04 budget request supports The Army’s plan to maintain its warfighting readiness through its training, mobility, and sustainment programs. Specific readiness initiatives in this budget are The Army’s steadfast commitment to full funding of ground OPTEMPO requirements, as well as, to making significant strides in resolving depleted inventories of tactical repair parts and assemblies. In addition, the budget provides funding to maintain and improve our infrastructure selectively at acceptable

levels. In short, resources are aligned to ensure that our forces are trained, equipped, and ready to fight.

Unit Training: The Army's OPTEMPO budget remains a top priority. The Army is committed to improving its training and unit readiness.

- Ground OPTEMPO – The budget fully funds the Active Component ground OPTEMPO training strategy, encompassing actual miles driven for home station training (HST) and National Training Center (NTC) rotations as well as virtual miles associated with using simulators, such as the Close Combat Tactical Trainer (CCTT) and the Unit Conduct of Fire Trainer (UCOFT).
- Mileage Metrics – The mileage metrics for the Active Component in FY04 are: HST–749, NTC–83, CCTT–51, UCOFT–30, totaling 913 miles. This budget also provides funds for 174 composite miles for The Army National Guard's enhanced Brigades and Divisions.
- Flying Hours – The Flying Hour Program is funded to achieve the historical execution level of 13.1 live flying hours per aircrew per month for the Active Component, and nine live aircrew flying hours for the Reserve Components.
- Training Center Rotations – All scheduled training rotations are funded fully: ten brigade rotations (nine Active Component and one Army National Guard) through the National Training Center, ten 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 three corps warfighter exercises and train eight Active Component division command and staff groups.

Institutional Training: This budget focuses Army resources on providing professional, up- to-date training for Soldiers and Civilians and growing them into competent, self-aware, and courageous leaders.

- Recruit Training – To set the conditions for success in growing leaders, The Army must recruit a quality workforce now and in the future. We continue to emphasize recruiting and advertising so that today's youth are aware of career opportunities in The Army. To ensure that we can compete for America's best young people, we are increasing funding for the U.S. Military Academy, Senior Reserve Officers Training, and the Recruiter Initiatives Program.
- Advanced Training – To train the force and to develop future leaders, we are increasing funding in Initial Entry Training, Professional Development, Off-Duty Voluntary Education, and Flight Training. We expect an additional 14,000 Soldiers to seize the opportunity to continue their educations through The Army University Access Online program (eArmyU). The eArmyU program provides Soldiers post-secondary education opportunities via the eArmyU portal. This program also allows Soldiers from nearly all states, four U.S. territories, and 36 countries, including Afghanistan, Bosnia, and Kuwait to access online classes.

- Aviation Training – To produce better-trained Army aviators, we are making fundamental changes in our aviation training strategy. With the implementation of Flight School XXI (FSXXI) aviators will spend 27-40 additional hours training in advanced “go to war” aircraft. They also will receive enhanced aviator survival training based on lessons learned from post-Operation Desert Storm operations. The principal benefits of FSXXI are twofold -- it reduces the time students spend in flight school and it increases the hours flown in the advanced “go to war” aircraft.

Strategic Mobility Programs: A cornerstone for highly effective worldwide deployment capability.

- Afloat Stocks – The afloat prepositioned fleet has 13 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 – Wartime inventories in Europe are being reconfigured from three brigade sets into a tailored set to support European Command contingency requirements. The excess stocks are being redistributed to fill shortages and to increase readiness in critical Army Prepositioned Stock sets afloat in Southwest Asia and the Pacific.
- Wartime Enhancements – We continue deployment-outload enhancements that include infrastructure improvements and unit deployment container acquisition.

Materiel Sustainment Programs: Supplying and maintaining equipment for Soldiers is a key component of readiness. Over several years, The Army has experienced increased demands for repair parts, generally due to increased maintenance required to sustain aging aircraft, ground equipment, and increased execution of OPTEMPO miles and hours.

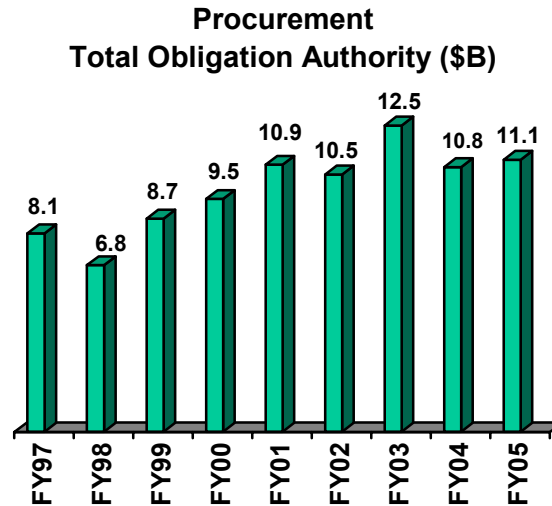
- Spares -- In FY03, The Army initiated aggressive measures to replenish depleted inventory by realigning internal resources. The FY04 budget continues this effort, which is a major stride in meeting supply availability and mission capability goals (especially for the CH-47D/UH-60 airframes and M1A1 Abrams tanks), and ensuring readiness for training and GWOT operations.
- Depot Programs – The FY04 Depot Maintenance program is funded at 82 percent, 11 percent more than FY03. The Recapitalization Rebuild Program continues to be funded fully.
- Ammunition Management – The budget also supports the Conventional Ammunition Stockpile Management and Surveillance program consistent with Congressional directives.

Installations and Infrastructure: The four primary tasks of Army installations and facilities management are force protection, defense of information infrastructure, training support, and well-being of Soldiers, families, and civilians. The FY04 budget addresses all four areas.

- Anti-terrorism and Force Protection Programs – These programs mitigate the risk associated with terrorist and criminal threats against personnel, facilities, and equipment. One of the significant challenges in the FY04 budget is the escalating anti-terrorism and force protection requirement. The Army has experienced a 53 percent increase in these requirements from FY03. The FY04 budget provides mission-essential funding for the modernization of physical security equipment, fencing, barriers, and security forces and technicians.
- Defense of Information Infrastructure – The Army recently activated the Network Enterprise Technology Command (NETCOM), The Army's single authority for the operation, management, and defense of The Army's information infrastructure at the enterprise level. NETCOM will improve the capacity, performance, and security of our networks through centralization, consolidation, and standardization at every level, for all Army networks, including those of The Army National Guard and Army Reserve.
- Training and Installation Support – The Installation Management Agency (IMA) is one of The Army's boldest business reengineering efforts to date and plays a key role in The Army's vision. Installations are the operational and service support centers where our Soldiers and civilians work, live, and train. They are the hometowns for most of our Soldiers and families and help us fulfill our commitment to military retirees. The Army's intent is to create more agile and responsive installations by reducing staff and layers of review and approval, thereby enabling mission commanders to focus on their core warfighting tasks. The IMA, established on October 1, 2002, will provide a corporate structure that is focused on installation management, including seven regional directorates that will oversee the day-to-day installation sustainment, restoration, and modernization (SRM) programs.
 - In past budgets, our SRM programs frequently were under-funded. In FY 02, commanders rated over 50 percent of our facilities and infrastructure in such poor condition that there was an adverse effect on the mission. In essence, we have had a world-class Army living and working in facilities that do not provide reciprocal quality.
 - The Sustainment, Restoration, and Modernization (SRM) budget in FY04 builds on the FY03 funded levels in an effort to halt the deterioration of our aging infrastructure.
 - The Army has reassessed all risk factors and provided an increase in funding for sustainment. This results in the FY04 budget funding for sustainment at a level of 93 percent of its requirements.
 - Currently, we are working on plans to improve and recapitalize our facilities and infrastructure. The FY04 Defense Planning Guidance (DPG) set forth goals to improve military infrastructure, including a 67-year recapitalization rate. The FY04 budget supports that objective.

- Family programs and Morale, Welfare, and Recreation programs are another important subset of base operations. These programs include Army Community Service, Child Development Services, Youth Development Programs, Recreation, Sports, Fitness, and Libraries. We recognize that these services are essential to our Soldiers and civilians.

TRANSFORMATION – CHANGING THE WAY WE FIGHT



Building and fielding combat-capable units that provide the capabilities for sustained land dominance across the full range of military operations and spectrum of conflict—The Army’s most unique and important core competency—remains the ultimate goal of Army Transformation efforts. Army transformation is grounded in the operational framework of joint doctrine and the concepts for future joint and combined operations. The Future Combat System (FCS) family of systems is being designed with the joint fight in mind. The overall Army Transformation Strategy is comprised of the following three fundamental tenets:

- **Objective Force:** The Objective Force is the future full spectrum force – organized, manned, equipped and trained to increase strategic responsiveness across the entire spectrum of military operations. The Army will begin fielding the first Objective Force Unit of Action in FY08 with an operational capability by the end of the decade. The Army has maintained its accelerated pace to meet this timeline to field the future force, and specifically – the FCS – by increasing funding of critical Science and Technology (S&T) investments. Almost 98 percent of the total \$10.76 billion S&T funding for FY04-09 is targeted for the future force, representing an increase of \$1.09 billion since last year.
- **Interim Force:** Stryker Brigades enhance the full spectrum capabilities required of today’s Army. The Stryker Brigade is designed specifically for employment as an early combat force, capable of entering into operational environments that include the following features: urban/complex terrain; a weak transportation and logistical infrastructure; an uncertain political situation; coalition involvement; and the presence of an asymmetric threat, including mostly mid-end but some high-

end technologies. Fielding of these brigades is well underway, and the first unit will become operationally capable in Spring 2003.

- **Legacy Force:** While transforming, we must preserve the essential warfighting capabilities and readiness of current Army units through limited modernization and recapitalization efforts. Today's Army represents the underlying guarantor of security until the Transformation is complete. We must remain ready to fulfill all missions throughout the Transformation process.

To implement this strategy, The Army continues to make difficult choices and to implement changes in its investment plans and resourcing efforts. During the FY04-09 program/budget process, The Army modified its overall plan by further reducing near-term efforts in order to support achievement of longer-term goals. These reductions are made in the context of a careful and prudent balance between immediate operational needs, e.g. the demands of homeland security and the Global War on Terrorism, and the imperatives of Army Transformation. In general, funding is increased for programs that are "clearly transformational" and support Defense Transformation Goals.

The Army has chosen to manage risk in the modernization of its Legacy Force and the associated mid-term warfighting readiness. This risk takes the form of more selective modernization and recapitalization efforts for the Legacy Force while still retaining sufficient efforts to ensure essential readiness requirements. We are terminating 24 programs and realigning 24 programs in the FY04-09 timeframe, and reinvesting \$22 billion in higher priority transformation programs, as follows: Future Combat System (\$13.5 billion); Precision Munitions (\$3.2 billion); Sensors and Communications (\$2.3 billion); Science and Technology (\$1.1 billion); and Missiles and Air Defense (\$1.1 billion), with the remaining resources spread to other smaller programs.

In the FY04 budget, 98 percent of the Science and Technology (S&T) budget is targeted for Objective Force programs, with the Future Combat System (FCS) family of systems remaining The Army's highest S&T priority program. The FCS will be a multi-functional, multi-mission, reconfigurable system of systems designed to maximize joint interoperability, strategic transportability, and commonality of mission roles. The Army has partnered with the Defense Advanced Research Projects Agency (DARPA) to seek out and integrate the most promising, cost effective technologies for integration into FCS. Additionally, The Army has advanced the FCS acquisition strategy by selecting a Lead Systems Integrator in March 2002 and we are focused on a critical Milestone B decision in May 2003 that will be an essential precursor to initial fielding of the FCS as part of a Unit of Action in FY08.

Other major FY04 Objective Force related S&T efforts include:

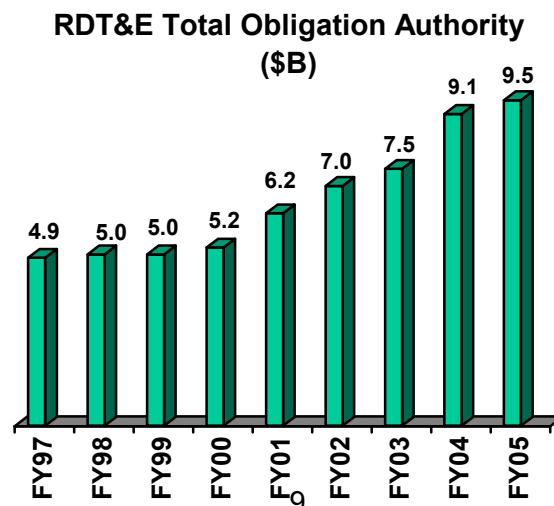
- Non-Line of Sight cannon, to provide a combined high rate and sustained volume of precision fire, range, and responsiveness in all weather conditions.
- Networked Fires System Technology, which develops objective Command, Control, Communication, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR) capabilities that are strategically deployable and

tactically mobile. It will be a fully-networked targeting system, an integral part of the Objective Force, that can direct precision and massed fires with discriminating effects in a joint environment.

- Unmanned Combat Rotorcraft technology, in partnership with DARPA, to provide lethal and immediate standoff precision fires from an inherently flexible rotorcraft design without risking combat aircrews.
- Land Warrior, an integrated soldier system of systems, that provides leap ahead lethality, survivability, and network connectivity for the dismounted soldier while reducing the soldier's combat load to 40 pounds or less.

Other major Research, Development, and Acquisition efforts include:

- Comanche, The Army's next generation helicopter, designed to perform armed reconnaissance and attack missions. We are funding fully the Comanche program to the new baseline level approved by the Defense Acquisition Executive.
- Excalibur 155mm Precision-Guided Extended Range Artillery Projectile Family, designed to provide the maneuver force with improved fire support. We are funding the program fully to include the increased requirement of the revised blocking strategy that will ensure compatibility with all 155mm platforms.
- Warfighter Information Network – Tactical (WIN-T), a tactical digital communications system that will provide advanced commercial based networking capability to the Objective Force. The Army is funding fully continued development of this program in FY04.
- PAC-3 production acceleration. The PAC-3 system is the only demonstrated hit to kill system readily available to defeat tactical ballistic missiles. Given the potential use of enemy tactical ballistic missiles in a regional conflict, The Army needs to get these missiles fielded as soon as possible.
- Stryker (formerly called the Interim Armored Vehicle). Procurement funding continues in FY04 to procure a fourth Stryker Brigade Combat Team (SBCT). Stryker is the primary combat and combat support platform for the SBCT.



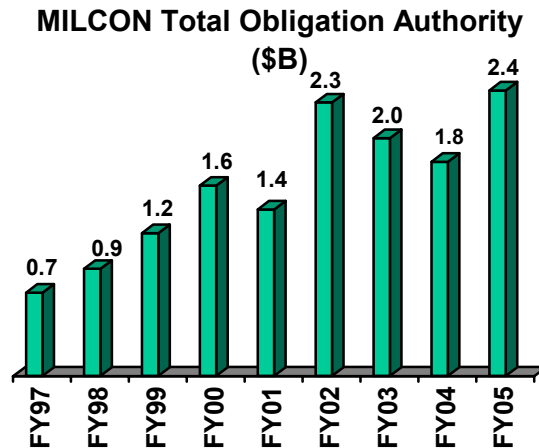
The Army's Top Ten FY04 Research, Development and Acquisition Programs

Top Ten Programs	Amount (\$M)
Future Combat System	\$ 1,815.3
Comanche	\$ 1,079.3
Stryker	\$ 1,016.4
Longbow Mods	\$ 776.6
Patriot PAC 3	\$ 736.0
CH-47 Mods	\$ 537.2
Information Systems	\$ 328.2
Family of Medium Tactical Vehicles	\$ 314.1
M1 Abrams Mods	\$ 293.1
Medium Extended Air Defense Systems (MEADS)	\$ 276.3

Note: Amounts include both Procurement and RDT&E.

During the past several years, The Army, with the active support of Congress and the DoD, has made demonstrated progress in initiating an ambitious process of revolutionary change through Army Transformation. The fruits of this endeavor are being realized already, and through the implementation of the FY04 President's Budget, The Army will achieve an irreversible momentum toward the common goal of a future force ready and able to meet all challenges. The Army remains fully committed to the task ahead, while standing ready and "on point" in the ongoing Global War on Terrorism and the associated missions needed to guarantee our Nation's security.

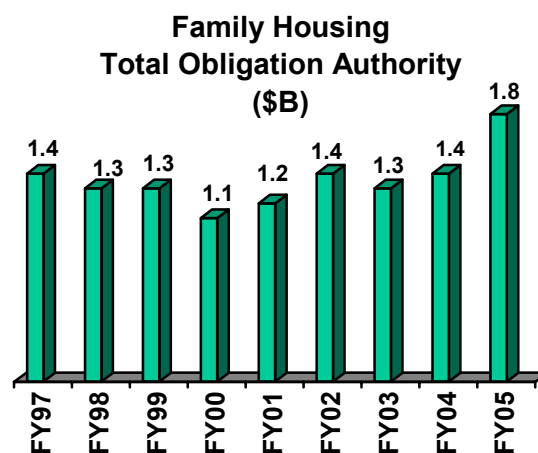
MILITARY CONSTRUCTION AND FAMILY HOUSING



The FY04 budget provides new military facilities and soldier housing that are needed to support Army readiness. The construction projects, including modernized barracks and new and renovated facilities, support both The Army's Active and Reserve Components. The Family Housing budget includes funding for operation, maintenance, leasing, construction, revitalization, and privatization of soldier family housing.

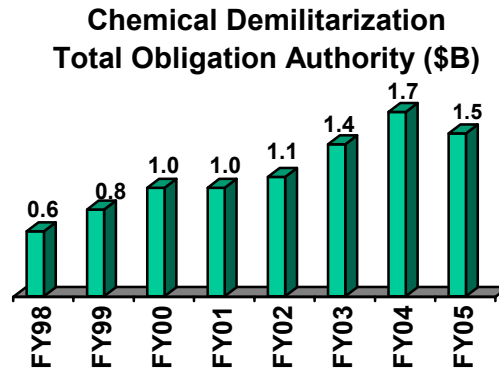
Military Construction: The FY04 Budget requests \$1.8B:

- \$776M for barracks, physical fitness and dining facilities to improve the living conditions of single Soldiers.
- \$285M for Army Transformation construction at installations in Alaska, Washington, Louisiana, and Hawaii for Stryker Brigade Combat Teams.
- \$153M for Army Readiness consisting of training, deployment, and other construction for the Active Army.
- \$237M for Reserve Component readiness construction.



Army Family Housing: In keeping with The Army goal of eliminating inadequate family housing by 2007, we are privatizing family housing at many installations through the Residential Communities Initiative. This initiative allows The Army to select a development partner who prepares the plans and obtains the private capital to revitalize, replace and operate on-post family housing in the U.S. Four privatization projects for almost 6,000 military housing units are included in the FY04 budget. Altogether, the FY04 budget provides for the upgrade of approximately 7 percent, or 8,400 of 125,000 Army family housing units worldwide.

CHEMICAL DEMILITARIZATION PROGRAM



The Chemical Demilitarization Program continues to make progress in meeting the Chemical Weapons Convention Treaty destruction milestones (the 20 percent destruction by April 2002 was met in July 2001). The FY04 budget request for the Chemical Demilitarization Program consists of \$1.65 billion in the Chemical Agents and Munitions Destruction, Army (CAMD, A) including military construction.

The \$1.65 billion in CAMD, A includes operations and maintenance (\$1,199 million); research and development (\$252 million); procurement (\$79 million); and military construction (\$120 million).

Significant efforts funded in the budget include closure activities at the Johnston Atoll facility and disposal operations at six locations (Tooele, Utah; Anniston, Alabama; Umatilla, Ore.; Pine Bluff, Ark.; Aberdeen, Md.; and Newport, Ind.) as well as design, permitting and construction activities for alternative technology pilot plants at Pueblo, Colo. and Lexington, Ky.

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

COMPLIANCE WITH GPRA AND PRESIDENT'S MANAGEMENT AGENDA

The Government Performance Results Act and the President's Management Agenda require association of performance measures with budget programs. To that end, the Secretary of The Army has instituted several management initiatives to ensure alignment with the four risk areas outlined in the Quadrennial Defense Review Report and integration of performance measures in the budget. He has appointed a Performance Management Coordinator to serve as The Army's single focal point to coordinate and disseminate all Army performance metrics and their association with budget justification materials and external reports.

SUMMARY

The FY04 budget demonstrates The Army's commitment to its People, Readiness, and Transformation. After three years of hard work and unwavering dedication, we are realizing The Army Vision – building a capabilities-based force to respond to the requirements of the evolving strategic environment. With continued strong support, we will win the war on terrorism, maintain our readiness for the unpredictable challenges beyond the horizon, and transform to fight and win future conflicts. In short, we will continue to meet our obligations to the American people, our allies and our friends.

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