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THE ARMY BUDGET - FISCAL YEAR 2007

Today, the Army announced details of its budget for fiscal year 2007, which covers the one-year period from October 1, 2006 through September 30, 2007. The FY07 budget request is \$110.4 billion and with executive agent responsibility for Chemical Demilitarization totals \$111.8 billion.

The FY07 budget is structured, first and foremost, to provide trained and equipped forces to the combatant commanders, balancing immediate warfighting needs with the development of future enhancements. The Army will continue to focus on winning the Global War on Terrorism (GWOT) while sustaining the All-Volunteer Force. The Army also intends to accelerate the Future Force Modernization Strategy and business transformation and process improvements.

The following table shows the Army's FY07 budget request compared to FY05 actual obligations (including supplemental) and the FY06 appropriated amount, including Title IX and Hurricane funding:

Army Budget by Appropriation Category

Category	(\$B)			
	FY05 Actuals	FY06 Approp'd	Title IX & Hurr	FY07 Pres Bud
Military Personnel	51.9	40.6	5.3	42.6
Operation and Maintenance	67.2	30.0	21.8	32.0
Procurement	24.7	11.0	4.8	16.8
RDT&E	10.5	11.0		10.9
Military Construction	3.4	2.4	0.4	2.7
Army Family Housing	1.6	1.3		1.3
Other	6.6	1.5		4.1
Sub Total	165.9	97.8	32.3	110.4
Chemical Demilitarization	1.4	1.4		1.4
Total	\$167.3	\$99.2	\$32.3	\$111.8

As the Army pursues the Global War on Terrorism, it simultaneously is continuing the organizational and intellectual transformation needed to meet the challenges of the future. The Army's FY07 budget addresses these key themes:

Winning the long war:

- Provide relevant and ready land power
- Generate and sustain a more joint and expeditionary force
- Transforming the total force – active and reserve – and improve future combat capability
- Exploit promising technology to enhance warfighting capability
- Reestablish a strategic footprint of the Army through the Integrated Global Presence and Basing Strategy and Base Realignment and Closure
- Sustain modular force conversion

Sustaining the All-Volunteer Force:

- Recruit and retain Soldiers
- Improve Soldier and family quality of life
- Increase overall capability of our citizen-Soldiers (National Guard and Army Reserve)
- Develop multi-skilled “pentathletes” -- both leaders and Soldiers
- Sustain Soldier, leader and unit training development
- Support modernization of force protection systems and weapons for our Soldiers

Accelerating the Future Combat Force Strategy

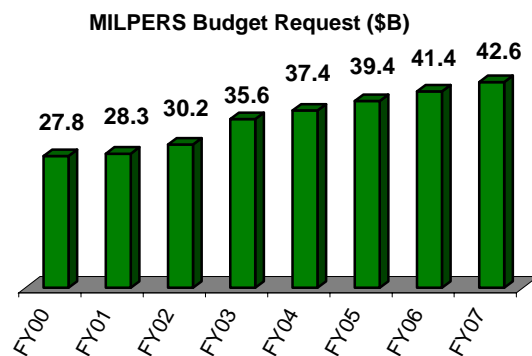
- Continuing transformation to the Modular Force
- Army Campaign Plan
- Army Force Generation Model
- Spiraling technology

Accelerating Business Transformation and Process Improvements

- Implement Quadrennial Defense Review
- Link resources to Army Campaign Plan and ARFORGEN

Recruit and Retain the All-Volunteer Force Budgeting for Military Personnel

The American Soldier – well-trained, well-equipped and well-led – is the key to the Army’s combat formations and systems. Current and future funding levels are critical indicators of our nation’s commitment to maintain the All-Volunteer force. The budget request emphasizes manning the force, taking care of Soldiers and families, and sustaining the quality of Army personnel. It includes a 2.2 percent across-the-board pay increase with selective increases for certain warrant officers and mid-grade senior enlisted personnel.

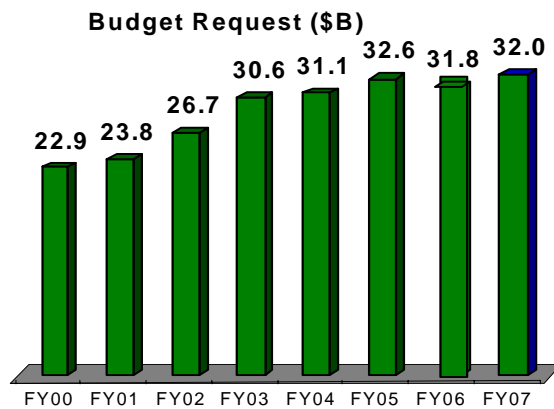


The Army’s manning objective is to provide the combatant commanders in a timely manner the right number of high-quality people, with the needed skills and in the appropriate grades. By offering incentive pay and a more stable deployment cycle, recruiting and retention will continue to sustain the all-volunteer force.

The Army is transitioning to an improved force concept design that will augment unit readiness by increasing stability and predictability for unit commanders, Soldiers and families. These changes will produce a more agile force and will allow more at-home time for all components. Additionally, this budget continues a multiyear initiative to increase housing allowances to eliminate out-of-pocket expenses for those Soldiers and families residing off post.

Current Readiness Budgeting for Operation and Maintenance

The FY07 budget supports the Army's plan to maintain and strengthen its warfighting readiness through training, mobility and sustainment programs that are the best in the world. To ensure readiness as the Army transforms, this budget continues to reflect the Army's steadfast commitment to funding ground and air OPTEMPO requirements. The Army budget also provides adequate funding for the maintenance of weapon systems, equipment and infrastructure. Army resources are balanced with great care to ensure that our forces receive tough realistic training; tactical equipment maintenance and rebuild; responsive logistical support; facilities maintenance, and base support for the well-being of Soldiers and their families. The following chart displays the requested amounts for Operation and Maintenance funding since FY00:



Despite the uncertainties inherent in this highly dynamic period of rotational deployments, the Army remains committed to executing its Combined-Arms Training Strategy.

- Ground OPTEMPO – The FY07 budget funds collective training in support of the Ground OPTEMPO Combined-Arms Training Strategy (CATS), encompassing actual miles driven during home-station training (HST) and Combat Training Center (CTC) 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.
- Flying Hour Program – The FY07 budget supports training in both cockpits and simulators for individual crewmembers and units according to approved aviation training strategies, assuring individual and collective proficiency. The Combined Arms Training strategies and Aircrew Training Manuals (ATMs) for each type of aircraft establish specific flying hour requirements.
- Combat Training Center Rotations – This budget supports a rigorous annual program of tough, realistic combat training: 10 active component brigade rotations through the National Training Center; 10 brigade rotations (eight active

component and two Army National Guard) through the Joint Readiness Training Center; and five brigade rotations through the Joint Multi-National Readiness Center. The Battle Command Training Program will conduct two Corps Warfighter exercises and train seven division-level command and staff groups.

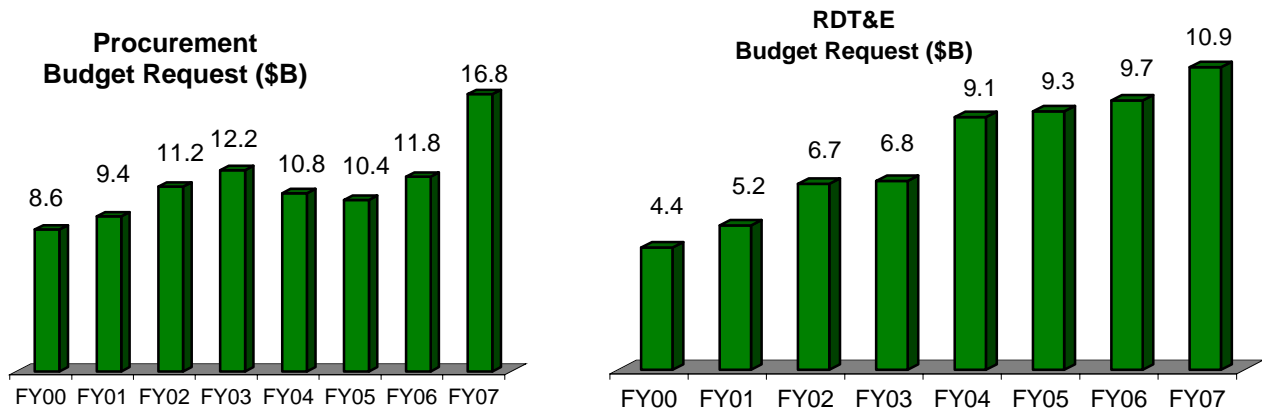
The Army's Depot Maintenance Program is funded to provide a solid baseline, when aligned with supplemental funding to prosecute the Global War on Terrorism, to assure the timely availability of weapon systems to support unit training, readiness and combat operations.

Installations are essential to maintaining the premier Army in the world. They serve as our Flagships of Readiness, supporting Soldiers where they live, work, train, mobilize and deploy to fight. Our installations enhance power projection and, in wartime, they serve as integral components of a battle space that extends from home station to foxhole by providing reach-back capability. The Army is adapting its installation programs and facilities to better support the Joint Team.

- Base operations support (BOS) programs are funded to operate the worldwide bases, installations, camps, posts and stations of the Department of the Army. They include: municipal services, family programs, environmental programs, force protection, audio visual and base communication services.
- The well-being of our Soldiers, their families and our civilians is inextricably linked to Army readiness. The Army's well-being programs and family support systems must be synchronized with rotation schedules and optimized to support deployed units. Army Community Service and reserve component family programs include a network of integrated support services that directly impacts Soldier readiness and retention; as well as spouse adaptability to military life during peacetime and through all phases of mobilization, deployment and demobilization.
- Facility Sustainment, Restoration and Modernization provides programs such as Barracks Modernization, the Army Family Housing Residential Communities Initiative and focused facilities sustainment management, all of which aim to take care of Soldiers and their families and to make the best use of available resources.
- This budget funds:
 - Elimination of permanent party barracks by 2008
 - Efforts to address unexploded ordnance and the effects of munitions use on the environment and life, health and safety
 - Increased mobilization deployment support for active and reserve component Soldiers and families

Future Force Budgeting for Procurement and for Research, Development, Testing and Evaluation

The Army continues to adapt to meet current and future threats. We have accelerated the change in response to today's security situation. Because our current force is engaged in ways we never could have forecasted, a measured approach will not work. The department has increased resources commensurate with our immediate and most urgent demands. These charts show the budget request for both the procurement appropriations and the RDT&E appropriation.



Future Combat Systems (FCS) is the centerpiece of the Army's future modular force. It consists of 18 systems, the network, and the Soldier (18+1+1). The FCS program provides a family of networked air and ground based maneuver, maneuver support, and sustainment systems that will include manned and unmanned systems. The FCS program provides a networked Battle Command architecture that includes communications, sensors, battle command, embedded training, and manned and unmanned reconnaissance and surveillance capabilities. FCS will provide full spectrum warfighting capability to deter, contain, stabilize, or fight. It participates in a variety of roles ranging from major combat to stability and support operations. It provides the Joint Force with networked, modular warfighting capability for sustained land combat operations. In addition, the FCS program will develop and position spin outs of FCS Brigade Combat Team technologies and capabilities for procurement and fielding to current modular and fighting forces.

The FY07 FCS program will continue System, Development and Demonstration (SDD) for the FCS networked system of systems including prototypical platform development, network and software development and testing. This includes:

- Continuing development, testing, and delivery of unmanned aerial vehicles, unattended ground sensors, and unmanned ground vehicle prototypes.
- Completing fabrication of automotive test rig and begin the testing for continued design development and component maturation activities for 8 manned ground systems.

- Continuing the FCS network development including functional qualification testing and delivery of the network battle command network and software to support Experiment 1.1.
- Continuing development of Embedded Training Capability and training support products for FCS.
- Completing the Non-Line of Sight – Cannon (NLOS-C) platform mission module for firing.

Operation Iraqi Freedom and Operation Enduring Freedom highlighted the success and potential of network-enabled operations. The network offers a powerful competitive edge that includes shared situational awareness; improves collaborative planning; and enhances the speed and agility with which leaders can command their forces. In an effort to provide the latest technology to the battlefield, without an extended acquisition and build phase, the Army fields greater amounts of commercial-off-the-shelf technology. The Army is expanding its communication bandwidth, in addition to fielding critical battle command systems to standardize capabilities. This will greatly enhance Soldiers' ability to see the enemy, assess the situation and plan a decisive battle with far fewer losses and little surprise.

Even though our transformation efforts must focus on the future, we will still provide our Soldiers the equipment they need for the current fight. The Army is working to find technical and materiel solutions quickly to meet current challenges around the world.

The Army is now in the midst of building the Modular Force. The Army is reconfiguring (modularizing) its forces to provide more combat power and to enable force tailoring and more flexibility in deploying forces. It also will provide a less stressful deployment schedule resulting in more stability and predictability for soldiers and their families. This budget includes \$6.4 billion in the Army's investment program in support of these forces. The Army is directing resources to investment and construction accounts to reduce current and future capability gaps during conversion. The Army has identified six Modular equipment categories: Move, Shoot, Communicate, ISR (Intelligence, Surveillance, Reconnaissance), Force Protection, and Strike.

The Army Science and Technology Program develops technology that is relevant both to the Army and the Joint Team. It leverages technology developments from other services, defense agencies and commercial industry, as well as the international community. By synchronizing operational concepts development with transformational business practices, we can get technology into the hands of soldiers in the field at a much more accelerated rate. The Army has balanced the S&T program to satisfy the high-payoff needs of the future force while seeking and developing critical capabilities for the current force.

Army S&T is paying particular attention to the acceleration of mature technologies with promising capabilities into the current force. These technologies include: networked battle command and logistics systems; networked precision missiles

and gun launched munitions; improved intelligence sensors; active and passive protection systems; unmanned ground and air systems; and low-cost, multi-spectral sensors. Many already are being integrated into the equipment of our front-line Soldiers to improve dramatically their capabilities.

Science and Technology initiatives also are exploring ways to detect and neutralize mines and IEDs; to improve combat identification; to produce medical technology for self-diagnosis and treatment; and to develop hostile-fire indicators, survivability equipment, training systems and robotics. Our Science and Technology community is investigating how to defeat opponents more easily during irregular warfare in complex environments, which include urban terrain, triple-canopy jungle conditions, mountainous locales and caves.

Other Research, Development, and Acquisition (RDA) efforts include:

- A subsystem of the Future Combat Systems, the Non-Line-of-Sight Cannon (NLOS-C). It will provide a combined high-rate, sustained volume of long-range precision fire in all weather conditions. Funding for NLOS-C is \$112 million.
- Non-Line-of-Sight Launcher, also a subsystem of FCS. It will provide the maneuver commander with immediately responsive, precision fires on high-payoff targets and is coupled with real-time target acquisition and battle damage assessment capabilities. Funding for NLOS-L is \$323 million.
- Aviation Modernization. This budget provides 8 Armed Reconnaissance Helicopters (\$141 million); 39 Light Utility Helicopters (\$199 million); two new and 21 remanufactured "F" model CH-47s (\$620 million); Apache upgrades/conversions including 36 Longbow (Block II) models, Target Acquisition Designation Sight (TADS)/Pilot Night Vision Sensors (PNVS), and other safety and reliability modifications (\$795 million); 38 Black Hawk aircraft (\$740 million); and aircraft survivability infrared countermeasures (\$306 million).
- Procurement of PAC-3 missiles will continue in FY 07. Thirty-six percent (\$489 million) of the Missile Procurement, Army appropriation is for PAC-3.
- Family of Medium Tactical Vehicles (FMTV), which is funded at \$695.1 million, supports the procurement of 4,119 vehicles.
- High Mobility Multipurpose Wheeled Vehicle (HMMWV), which is funded at \$582.6 million, procures 360 up-armored vehicles and 1,705 heavy-chassis HMMWVs.
- M1 Abrams System Enhancement Program (SEP) and other Abrams Tank Modifications, funded at \$537M million, procures 23 SEP Tanks (\$171M), 320 Abrams Power Packs (\$169 million), and Safety and Environmental Modifications, and Engineering Support (\$197 million).

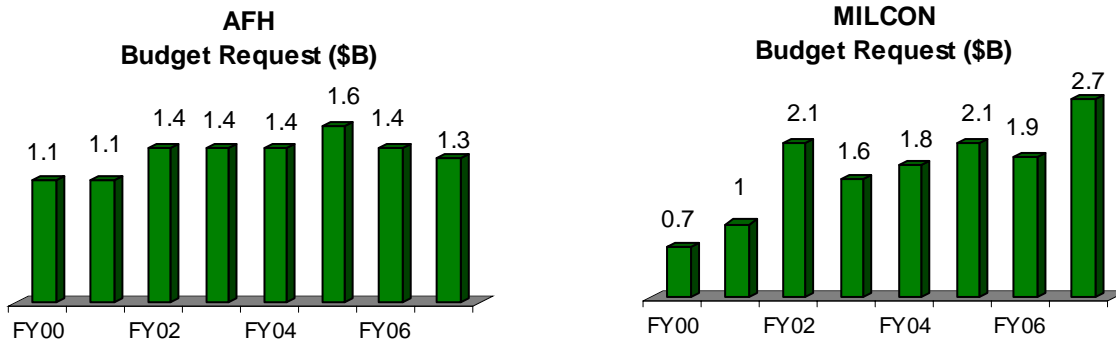
- Procurement of 100 Stryker vehicles for the Stryker Brigade Combat Teams (SBCTs), funded at \$796 million, including 65 Mobile Gun Systems, 13 NBC Recon vehicles, and 22 Commanders Vehicles.
- The Single Channel Ground and Airborne Radio System (SINCGARS) VHF-FM Radio Communications System provides the primary means of command and control for combat/combat support/combat service support units. The SINCGARS radio provides state-of-the-art communications in manpack, vehicle, and airborne configurations.
- The Tactical Unmanned Aerial Vehicle (TUAV) Shadow 200 provides the Army Brigade Commander with dedicated Reconnaissance, Surveillance and Target Acquisition (RSTA), Intelligence, Battle Damage Assessment (BDA) and Force Protection. The Shadow provides the Brigade Commander with critical battlefield intelligence and targeting information in the rapid cycle time required for success at the tactical level. FY07 will also fund the procurement of Extended Range Multi Purpose (ER/MP) Electro Optical Infrared w/Laser Designator. This will provide continuous imagery with the ability to designate target of interest.
- Restructuring of the Joint Tactical Radio System (JTRS) program. The program consolidates the development of all waveforms and Clusters 2 through 5 under one Program Element and one new Program Executive Office for all services.

The Army's Top Ten FY 07 Research, Development and Acquisition Programs

<u>System</u>	<u>\$s in Millions</u>
Future Combat Systems (includes NLOS-C/NLOS-LS)	3,746
Training Ammunition	1,353
Joint Tactical Radio System	832
Stryker Vehicle	796
AH-64 Mods	795
UH-60 Blackhawk	740
Family of Medium Tactical Vehicles	695
CH-47 Mods	620
HMMWV	583
M1 Abrams SEP, Tiger Eng and Other Mods	537

Military Construction and Family Housing Budgeting for Construction

The FY07 Military Construction budget provides new and renovated military facilities for the active and reserve components. The FY07 Army Family Housing budget request increases resources to improve the well-being of Soldiers' families. Budget requests since FY00 for these programs are shown below:



The FY07 Military Construction budget totals \$2.7 billion and focuses on improving living conditions and the support facilities for Soldiers and their families. Key categories of construction projects are summarized:

- ◆ \$1,582M for barracks, community facilities and readiness.
- ◆ \$398M for Army Modular Forces projects.
- ◆ \$240M for National Guard maintenance and supply facilities.
- ◆ \$130M for Army Reserve training facilities.

With this budget, the Army continues its program to eliminate inadequate family housing in FY08 by providing funds to construct 4,561 new and renovated homes. Traditional AFH construction is designated for 1,622 homes. Through the Residential Communities Initiative, a privatization effort, the Army will renovate 2,939 homes at six installations, bringing the total privatization program to 76,668 units at 34 installations. The Army Family Housing Operations budget improves support of the 45,521 homes in the United States and overseas, remains under Army management, and includes:

- ◆ \$438M for construction and renovation of Army-owned family housing units.
- ◆ \$157M for Army investment in public-private partnerships.
- ◆ \$677M to operate and maintain Army-owned and leased housing units.

Compliance with GPRA and the President's Management Agenda Linking the Budget with Performance

The Army Performance Budget provides a description of the Army's strategic objectives in the forthcoming budget year, how programs are resourced to achieve those objectives, and detailed information on 147 Army programs that comprise 100 percent of the Army's FY07 President's Budget. The Army's Performance Budget includes both Performance Assessment Rating Tools (PART) forms for Army programs and the Army's Performance Assessment Forms (PAFs) for all other programs in the Army's budget. These forms describe the resources the Army needs for each program, a forecast of performance in FY07, and actual program performance during FY05, the most recent data. Finally, the Performance Budget also shows an alignment of the Army's programs and how they support the Secretary of the Army's strategic objectives.

Base Realignment and Closure (BRAC) 2005

BRAC 2005 will close 12 active and 175 United States Army Reserve installations; eight active component leased facilities; and 211 Army National Guard facilities (upon agreement of the state governors). It will also create Training Centers of Excellence at Ft. Sill, OK, Ft. Benning, GA, and Ft. Lee, VA, and Joint Technical, Research Facilities in Huntsville, AL. and realigns USAR command and control structure.

The FY07 budget for BRAC activities is \$3.6B, with \$882.5M of this amount planned for Integrated Global Presence & Basing Strategy (IGPBS) actions. The Army intends to execute 76 Military Construction projects and conduct Environmental Condition of Property studies for disposal and transfer of property, as well as cleanup efforts at closing installations in FY07.

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