FY 2002
Budget Overview

July 2002

MGen Larry W. Northington
Dep Asst Secretary (Budget)
FY02 Overview

- FY01 Enacted $72.5B
- Blueprint increase $3.8B
- Amended budget $4.2B

FY02 PB $80.5B

1. FY02 Add--Investment?
   - Readiness

2. Theme: Fix foundation
   - Costs basic Ops
   - Focused Improvement

3. FY01 Supplemental ($2.0B)
   - Fix immediate requirements
   - Nonexecutable without Supplemental

4. Modernization Decisions & Transformation Deferred
### Amended Budget Adds

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>People</td>
<td>$.6B</td>
</tr>
<tr>
<td>Readiness</td>
<td>$2.3B</td>
</tr>
<tr>
<td>Modernization</td>
<td>$.6B</td>
</tr>
<tr>
<td>Physical Plant</td>
<td>$.7B</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$4.2B</strong></td>
</tr>
</tbody>
</table>
FY02 Target Areas

COST GROWTH
- Personnel
- Flying Hours
- Aircraft Repair
- Spares
- Contracts
- Utilities

FOCUSED IMPROVEMENTS
- Targeted Pay
- Retention & Recruiting
- Training
- Flight Operations & Repair
- Degraded Facilities
- Contractual Obligations
FY02 Budget

+ $0.1B

Physical Plant
5%

+ $0.7B

Modernization
30%

+ $2.8B

People
35%

+ $4.3B

Ops & Readiness
30%

$72.5B $80.5B

As of: Integrity - Service - Excellence

FY02 Budget

+ $0.7B

Modernization
30%

+ $2.8B

People
35%

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$72.5B $80.5B

As of: Integrity - Service - Excellence
Compensation

- **Military**
  - Targeted Pay Raise: 5-10% (Presidential Initiative)
  - Pay Gap reduced
  - Bonus & Special Pays to bolster retention
  - Housing Allowance
    - Reduces “out-of-pocket” expense to 11.3%

- **Civilian**
  - Pay Raise: 3.6%
  - Funds Targeted Pay Increases for Critical Skills
Meeting Recruiting Goals for second year

- Increasing Level of Accessions by 1,400 to 36,000
- Exceeding First Term Enlisted Retention Goals
  - Mid & Senior enlisted force remain below goal
  - Skills shortfalls: Comm-Computer Systems, Crypto Linguists, Air Traffic Controllers

Pilot Manning Below Requirements

Retention Challenges Remain
Retention & Recruiting

Retention
- Selective Reenlistment Bonuses
- Promotion Rates
- Officer Retention Bonus

Recruiting
- Enlistment Bonuses
- Advertising
- Recruiting

$564M  +33.8%

$487M  + 2.1%
Military Family Housing

FY01: $1.1B  Real Growth: 20%  FY02: $1.4B

- Operates & Maintains Current Housing Inventory
  - Added $29M for MFH utilities cost growth
- Builds 742 new units (465)
- Revitalizes 2,189 units (1,226)
- Continues Privatization Program
  - 14 on-going -- 12,458 units
  - 12 new privatization candidates / 10,507 units

Presidential Initiative adds $91M
People Issues

- Pay Comparability still lagging
- Retention remains a Challenge
  - Meeting Recruiting Goals…but at higher costs
- Sustained MFH investment required to meet DoD goal
  - 59,000 units (57%) require improvement/replacement
OPS/READINESS
30% of Budget

FY01: $19.6B  Real Growth: 22%  FY02: $23.9B

Readiness Indicators

Flight & Space Ops

Critical Enablers

Issues
Aircraft Mission Capable Rates vs Total costs

As of: 13

FY95 FY96 FY97 FY98 FY99 FY00 FY01

$3.4 $3.9 $4.4 $4.9 $5.4 $5.9 $6.4 $6.9

65% 70% 75% 80% 85% 90%

MC Rates

Total Cost

I n t e g r i t y  -  S e r v i c e  -  E x c e l l e n c e
As of: 14

Combat Squadron Readiness

- Integrity - Service - Excellence

60% 65% 70% 75% 80% 85% 90% 95% 100%

Combat Squadron Readiness

- Readiness Requirement - 92%

- As of: 15 Jun 01

- Readiness decline due to resources, aging fleet, retention

- Then
  - Abundant Personnel
  - Adequate Resources
  - Lower Tempo
  - Newer Aircraft

- Now
  - Shortage of Personnel
  - Marginal Resources
  - Higher Tempo
  - Aging Aircraft

I n t e g r i t y  -  S e r v i c e  -  E x c e l l e n c e
Working Readiness

Air & Space Ops

People

Readiness

Mods/Upgrades

Critical Enablers

Integrity - Service - Excellence
Air & Space Operations

- 2.1M (2.1M) flying hours
  - $6.2B ($4.8B) - fully funds fuel, supplies, spares
    - Substantial spares increase
  - $1.9B ($1.4B) - Contractor Logistics Support
  - $2.8B ($2.4B) - for Depot Maintenance
    - Funds 348 airframe and 1,056 engine overhauls
- $1.0B ($0.6B) for realistic combat training
  - Sustains training ranges and exercises
  - $0.4B ($0.1B) Training Munitions + $186M halts WRM depletion
- $3.5B ($3.0B) for direct support space operations
  - 40 launches (includes contractor support, mods, satellite integration)
  - Supports 12 ranges and 45 facilities

As of: 16

Integrity - Service - Excellence
## Mods/Upgrades
### Improving Reliability

<table>
<thead>
<tr>
<th>System</th>
<th>Modification</th>
</tr>
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<tbody>
<tr>
<td>C-5</td>
<td>Modernize Avionics, Engine Upgrade</td>
</tr>
<tr>
<td>C-135</td>
<td>GANS/GATM &amp; “R” upgrade</td>
</tr>
<tr>
<td>F-16</td>
<td>Updating avionics, engines &amp; weapon delivery</td>
</tr>
<tr>
<td>T-38</td>
<td>Propulsion, avionics upgrade, &amp; fuselage repair</td>
</tr>
<tr>
<td>F-15E</td>
<td>Radar and ECM Upgrade, Modifying Engines</td>
</tr>
<tr>
<td>C-17</td>
<td>GATM, Engine Mods &amp; Countermeasures</td>
</tr>
<tr>
<td>E-3</td>
<td>Radar System Improvements</td>
</tr>
<tr>
<td>B-2</td>
<td>UHF radio satellite upgrade</td>
</tr>
<tr>
<td>MM III</td>
<td>Replacing Guidance/Propulsion Units</td>
</tr>
</tbody>
</table>

Initiatives Total $2.8B in FY02
Critical Enablers

- **$5.5B ($4.9B)** for Overall Base Support (cost growth)
  - Higher utilities
  - Basic communications
  - Base maintenance contracts
  - Family support
  - Environmental

- **$.6B ($.5B)** for Training & Education
  - FY02 add for increased technical training
Ops/Readiness Issues

- Readiness Indicators?
- Munitions Replenishment
  - $2B Shortfall
  - General Purpose/Preferred Munitions
- Cost Growth/Aging Fleet
MODERNIZATION
30% of Budget

FY01: $23.2B
Real Growth: 2%
FY02: $24.0B

Top Investment Programs
Science & Technology
Issues
Modernization Objectives

Aerospace Superiority

Global Mobility

Precision Weapons

Battlespace Mgt

Transformation
## Top Investment Programs (Aerospace Superiority)

<table>
<thead>
<tr>
<th>Program</th>
<th>FY01</th>
<th>FY02</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>F-22</td>
<td>10</td>
<td>13</td>
<td>Funds Low Rate Initial Prod Buy of 13 A/C and supports investment in Production Cost Reduction Plans to reduce out-year unit cost</td>
</tr>
<tr>
<td>Quantity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F-22</td>
<td>$3,932</td>
<td>$3,924</td>
<td></td>
</tr>
<tr>
<td>JSF</td>
<td>0</td>
<td>0</td>
<td>Completes Concept Demonstration efforts</td>
</tr>
<tr>
<td>Quantity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JSF</td>
<td>$341</td>
<td>$770</td>
<td></td>
</tr>
<tr>
<td>JPATS</td>
<td>34</td>
<td>48</td>
<td>Supports acquisition of aircraft, simulators and training information management system</td>
</tr>
<tr>
<td>Quantity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JPATS</td>
<td>$156</td>
<td>$233</td>
<td></td>
</tr>
<tr>
<td>F-16</td>
<td>4</td>
<td>0</td>
<td>Funding supports continuing engine upgrades</td>
</tr>
<tr>
<td>Quantity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F-16</td>
<td>$679</td>
<td>$389</td>
<td></td>
</tr>
<tr>
<td>F-15</td>
<td>5</td>
<td>0</td>
<td>Funding supports continuing mods for secondary power and engine upgrades</td>
</tr>
<tr>
<td>Quantity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F-15</td>
<td>$871</td>
<td>$379</td>
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</table>
## Top Investment Programs (Global Mobility)

<table>
<thead>
<tr>
<th>Program</th>
<th>FY01</th>
<th>FY02</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>C-17</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity</td>
<td>12</td>
<td>15</td>
<td>Supports acquisition of 137 C-17s bringing MTM/D to 45.3. Includes $46M for LAIRCM</td>
</tr>
<tr>
<td>Funding</td>
<td>$3,125</td>
<td>$3,781</td>
<td>Funds advance procurement for 12 a/c in FY03</td>
</tr>
<tr>
<td><strong>C-130/130J</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity</td>
<td>2</td>
<td>2</td>
<td>Funding supports acquisition of two additional A/C</td>
</tr>
<tr>
<td>Funding</td>
<td>$450</td>
<td>$363</td>
<td>also funds various mods &amp; support equipment</td>
</tr>
<tr>
<td><strong>CV-22</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity</td>
<td>0</td>
<td>0</td>
<td>Freeze procurement until additional EMD/Test</td>
</tr>
<tr>
<td>Funding</td>
<td>$102</td>
<td>$147</td>
<td>Funds R&amp;D/advance procurement</td>
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## Top Investment Programs
*(Precision Weapons)*

<table>
<thead>
<tr>
<th>Program</th>
<th>FY01</th>
<th>FY02</th>
<th>Remarks</th>
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<tbody>
<tr>
<td>JDAM</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity</td>
<td>9,273</td>
<td>8,383</td>
<td>Continues production for a munitions tail-kit which provides accurate weapon delivery in adverse weather conditions</td>
</tr>
<tr>
<td>Funding</td>
<td>$ 226</td>
<td>$ 215</td>
<td></td>
</tr>
<tr>
<td>JASSM</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity</td>
<td>0</td>
<td>76</td>
<td>Begins production of a long range conventional air-to surface precision guided standoff cruise missile</td>
</tr>
<tr>
<td>Funding</td>
<td>$ 115</td>
<td>$ 123</td>
<td></td>
</tr>
<tr>
<td>WCMD</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity</td>
<td>6,308</td>
<td>6,838</td>
<td>Continues production for a guidance kit which provides inertial navigation to correct for launch transients and ballistics errors</td>
</tr>
<tr>
<td>Funding</td>
<td>$ 100</td>
<td>$ 112</td>
<td></td>
</tr>
<tr>
<td>AMRAAM</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity</td>
<td>170</td>
<td>190</td>
<td>Continues production of the next generation all weather radar guided missile</td>
</tr>
<tr>
<td>Funding</td>
<td>$ 152</td>
<td>$ 163</td>
<td></td>
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## Top Investment Programs
(Battlespace Mgt)

<table>
<thead>
<tr>
<th>Program</th>
<th>FY01</th>
<th>FY02</th>
<th>Remarks</th>
</tr>
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<tbody>
<tr>
<td>JSTARS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity</td>
<td>1</td>
<td>1</td>
<td>Funds procurement of the 16th JSTARS and long lead items for 17th aircraft</td>
</tr>
<tr>
<td>Funding</td>
<td>$504</td>
<td>$590</td>
<td></td>
</tr>
<tr>
<td>SBIRS High</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity</td>
<td>0</td>
<td>0</td>
<td>Fully Funds Restructured Program Continues manufacturing &amp; development for space &amp; ground segments. Advance parts buy for satellites 3-5</td>
</tr>
<tr>
<td>Funding</td>
<td>$564</td>
<td>$553</td>
<td></td>
</tr>
<tr>
<td>GPS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity</td>
<td>0</td>
<td>0</td>
<td>Begins Production efforts to mod 5 GPS IIR Satellites &amp; 3 IIF Satellites. Funds 2 GPS IIR launches &amp; support for IIA &amp; IIR satellites in orbit. Adds New Military &amp; Civil Signals.</td>
</tr>
<tr>
<td>Funding</td>
<td>$440</td>
<td>$395</td>
<td></td>
</tr>
<tr>
<td>Advanced EHF</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity</td>
<td>0</td>
<td>0</td>
<td>Continues satellite engineering &amp; manufacturing development.</td>
</tr>
<tr>
<td>Funding</td>
<td>$244</td>
<td>$548</td>
<td></td>
</tr>
<tr>
<td>MILSTAR</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity</td>
<td>0</td>
<td>0</td>
<td>MILSTAR 5 launch, test, &amp; on-orbit checkout. Complete MILSTAR 6 testing &amp; begin launch integration. Satellite 1,2 and 4 on-orbit support</td>
</tr>
<tr>
<td>Funding</td>
<td>$235</td>
<td>$232</td>
<td></td>
</tr>
<tr>
<td>TITAN</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity</td>
<td>0</td>
<td>0</td>
<td>Continues Launch/Prod Support; Launches MILSTAR 5 in FY02</td>
</tr>
<tr>
<td>Funding</td>
<td>$431</td>
<td>$407</td>
<td></td>
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# Top Investment Programs (Transformation)

<table>
<thead>
<tr>
<th>Program</th>
<th>FY01</th>
<th>FY02</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EELV</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity</td>
<td>3</td>
<td>1</td>
<td>Continues Development; Procure</td>
</tr>
<tr>
<td>Funding</td>
<td>$611</td>
<td>$418</td>
<td>Launch of Wideband Gapfiller for FY04 launch</td>
</tr>
<tr>
<td><strong>Global Hawk</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity</td>
<td>0</td>
<td>2</td>
<td>Supports accelerated engine &amp; electrical power supplies &amp; sensors. Moves us further toward unmanned high altitude reconnaissance</td>
</tr>
<tr>
<td>Funding</td>
<td>$142</td>
<td>$303</td>
<td></td>
</tr>
<tr>
<td><strong>Small Diameter Bomb</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity</td>
<td>0</td>
<td>0</td>
<td>Provides for development of a 250 pound precision guided weapon with standoff capability.</td>
</tr>
<tr>
<td>Funding</td>
<td>$12</td>
<td>$40</td>
<td></td>
</tr>
<tr>
<td><strong>Space-Based Radar</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity</td>
<td>0</td>
<td>0</td>
<td>Continues requirement definition and technical development for space-base ground moving target tracking capability.</td>
</tr>
<tr>
<td>Funding</td>
<td>$1</td>
<td>$50</td>
<td></td>
</tr>
</tbody>
</table>
FY01 PB S & T = 1.8%
- Congressional Add - $255M
  - 2.5%
- FY02 add - $145M
- FY02 Funding = 1.7% of AF TOA

DoD goal 3% TOA (PB=2.7%)
Modernization Issues

- Sustained FY01 Budget level
- Some transformation initiatives
- QDR/Strategy Review Pending
MILCON

Facility Maintenance

Issues

FY01: $4.2B  
FY02: $4.4B  
Real Growth: 2%
MILCON Highlights

- 118 Projects in FY02
- Addresses most pressing near-term requirements
  - 60% Mission $767M -- 72 Projects
  - 18% Support $232M -- 23 Projects
  - 22% Quality of Life $272M -- 23 Projects

Amended Budget adds $719M -- 66 projects

FY01: $1.1B  FY02: $1.3B  
Real Growth: 10%

In t e g r i t y  -  S e r v i c e  -  E x c e l l e n c e
Maintenance & Repair

- Backlog continues to grow
- 168 Installations -- Below Sustainment $1.7B ($1.8B)
- FY02 funded at 0.86% of Plant Replacement Value
- Backlog of Maintenance & Repair: $5.6B ($4.3B)
Physical Plant Issues

- Recapitalization rates
  - Restore current degrading infrastructure
  - Significantly below DoD Goal

- Maintenance & Repair
  - Below industry standard
  - Physical plant deteriorates
Conclusion

- FY02 Amended Budget add ($4.2B) -- substantial help
- Enabled “focused improvement”

**People:** Compensation, Retention & Recruiting
  -- Maintain momentum

**Readiness:** Addresses Core Programs
  -- Increased costs

**Modernization:** Sustain Current Program

**Physical Plant:** Address Degraded Facilities
  -- Repair a concern