

Headquarters U.S. Air Force

Integrity - Service - Excellence

FY 2002

Budget Overview



U.S. AIR FORCE

July 2002

**MGen Larry W. Northington
Dep Asst Secretary (Budget)**



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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



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Amended Budget Adds

■ People	\$.6B
■ Readiness	\$2.3B
■ Modernization	\$.6B
■ Physical Plant	<u>\$.7B</u>
	\$4.2B



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FY02 Target Areas

COST GROWTH

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

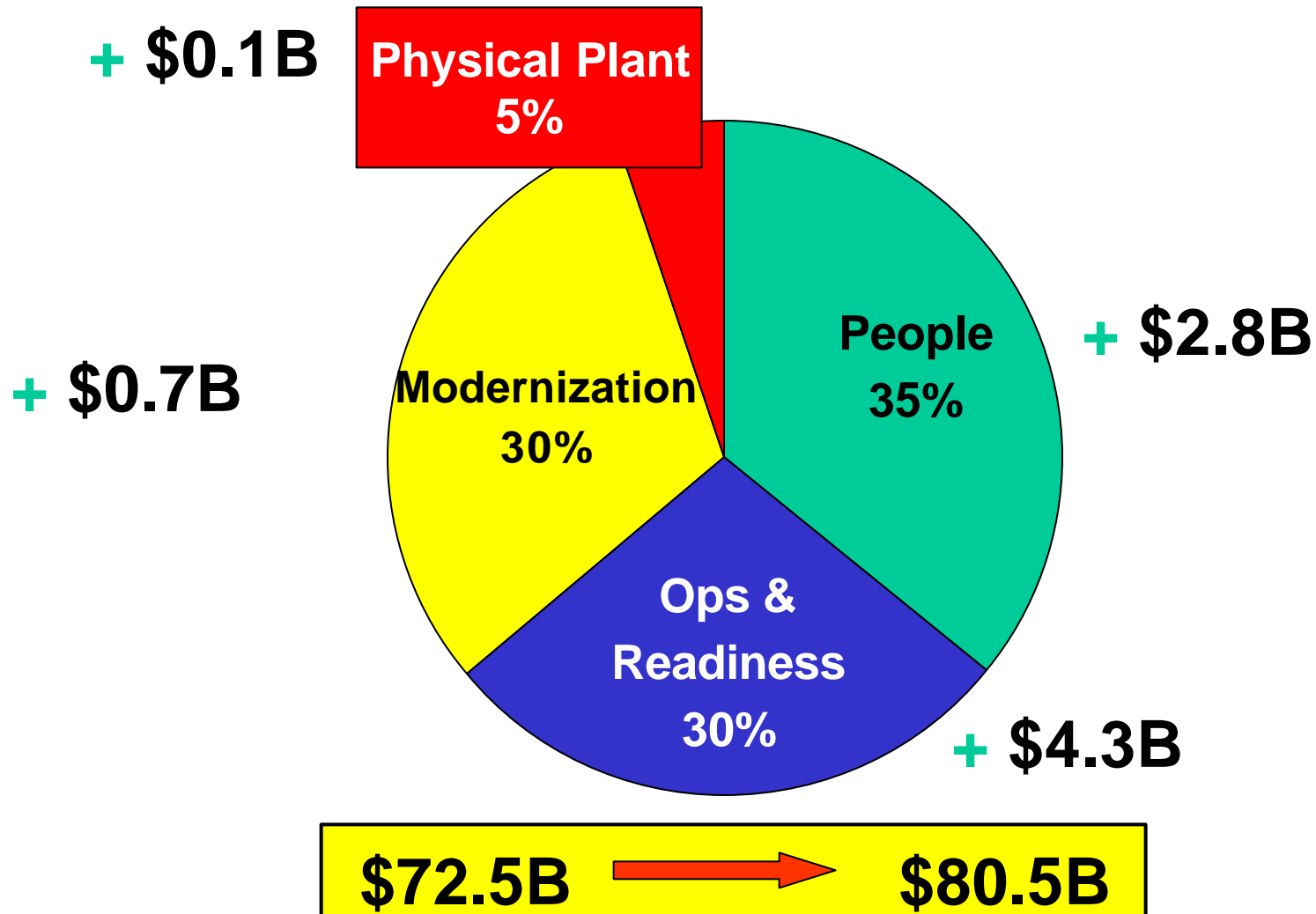
FOCUSED IMPROVEMENTS

- Targeted Pay
- Retention & Recruiting
- Training
- Flight Operations & Repair
- Degraded Facilities
- Contractual Obligations



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FY02 Budget



As of:

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PEOPLE
35% of Budget

FY01: \$25.4B

Real Growth: 7% 

FY02: \$28.2B

Compensation

Retention/Recruiting

Family Housing

Issues



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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



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Retention & Recruiting

- 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



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Retention & Recruiting

■ Retention

- Selective Reenlistment Bonuses
- Promotion Rates
- Officer Retention Bonus

\$564M +33.8%

■ Recruiting

- Enlistment Bonuses
- Advertising
- Recruiting

\$487M + 2.1%



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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

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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

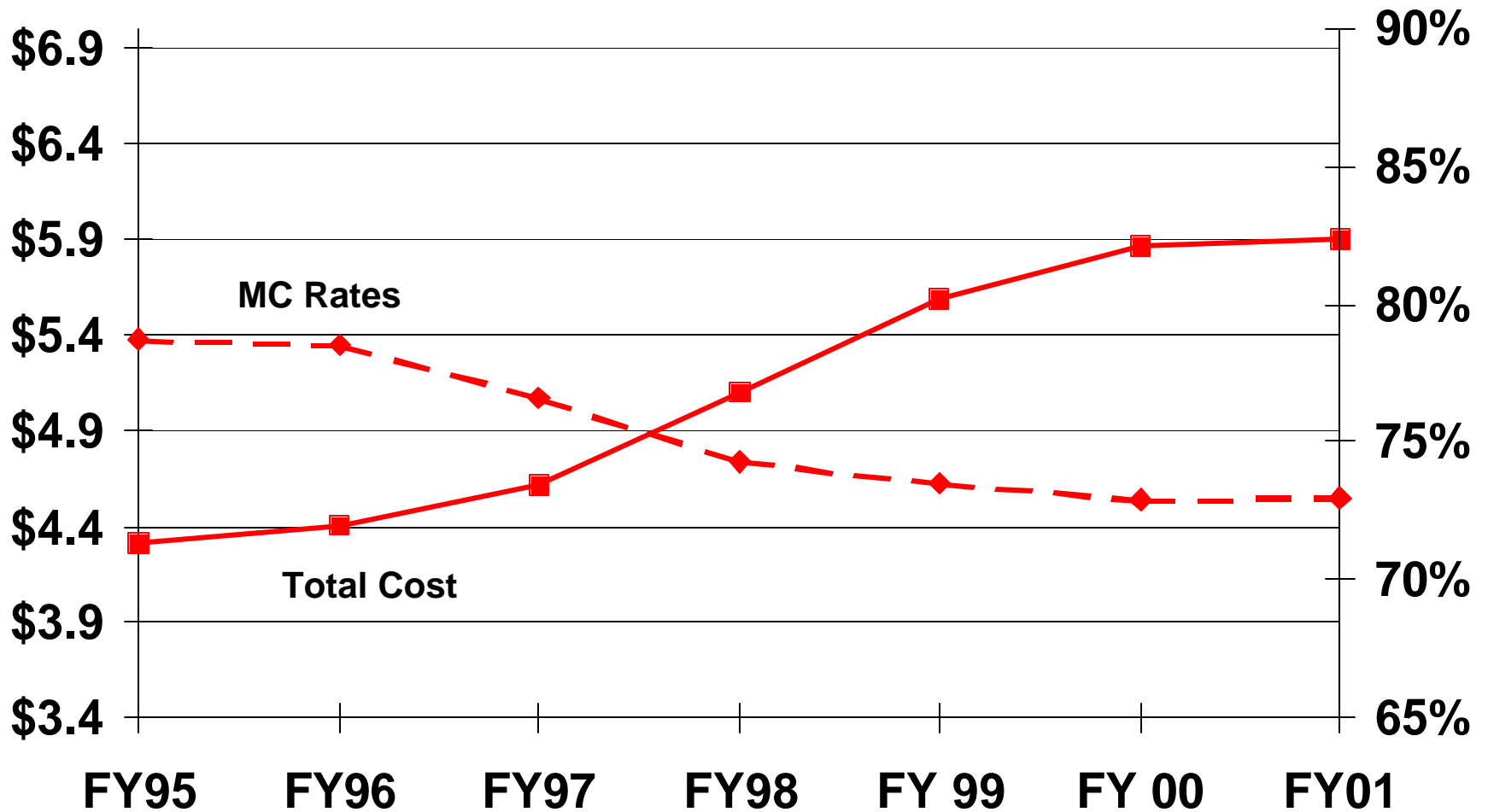
Critical Enablers

Issues



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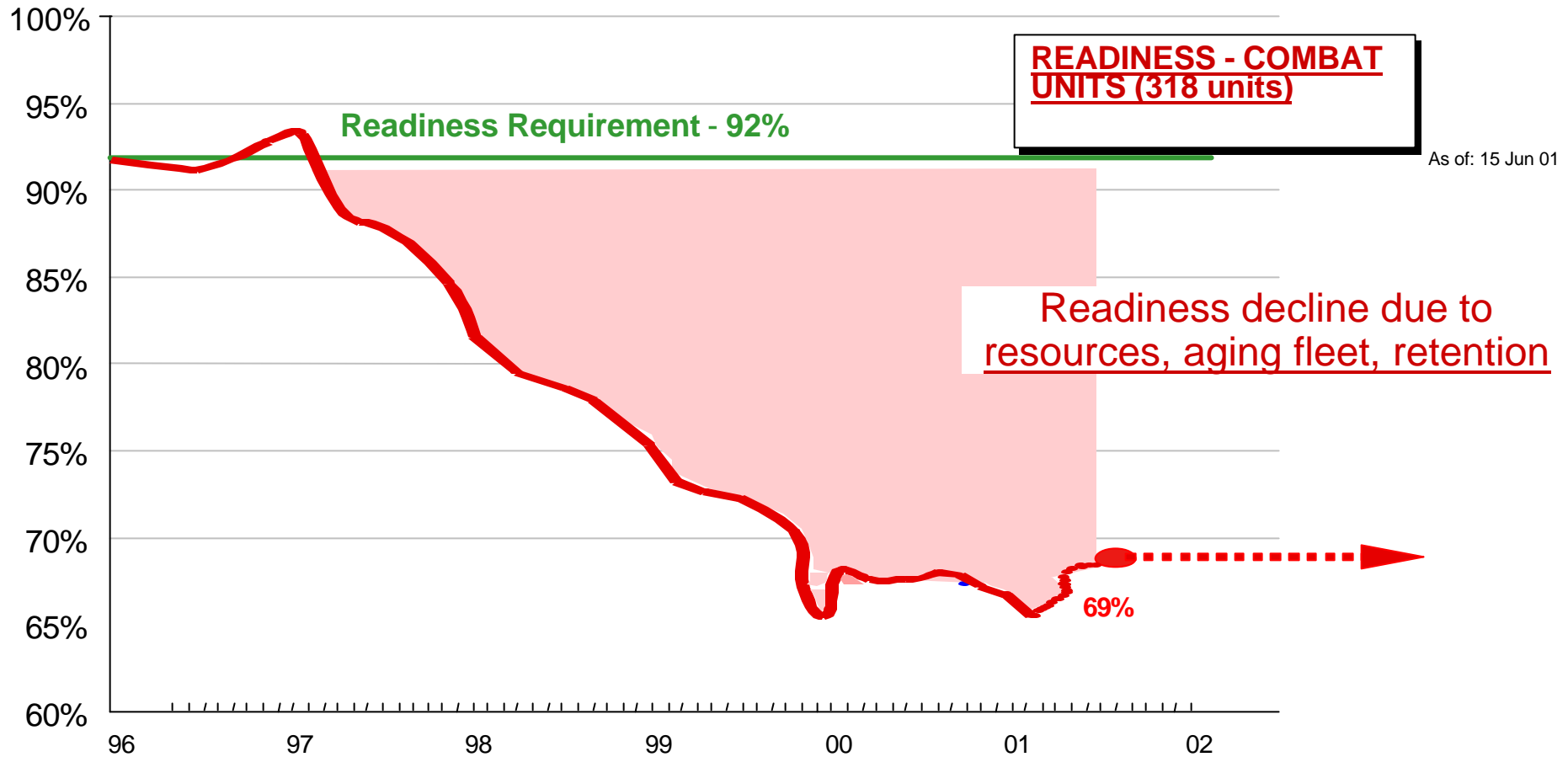
Aircraft Mission Capable Rates vs Total costs





Combat Squadron Readiness

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As of: 15 Jun 01

Readiness decline due to resources, aging fleet, retention

READINESS - COMBAT UNITS (318 units)

Then

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

Now

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

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As of:



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Working Readiness

Air & Space Ops

People



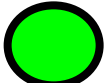
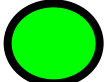
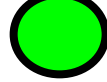
Mods/Upgrades

Critical Enablers



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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 (\$.6B) for realistic combat training** 
 - Sustains training ranges and exercises
 - **\$.4B (\$.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**



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Mods/Upgrades Improving Reliability

System

Modification

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

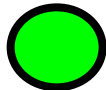
Initiatives Total \$2.8B in FY02

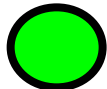
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Critical Enablers

- **\$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



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Ops/Readiness Issues

- **Readiness Indicators?**

- **Munitions Replenishment**
 - **\$2B Shortfall**
 - **General Purpose/Preferred Munitions**

- **Cost Growth/Aging Fleet**



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MODERNIZATION **30% of Budget**

FY01: \$23.2B

Real Growth: 2% 

FY02: \$24.0B

Top Investment Programs

Science & Technology

Issues



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Modernization Objectives

Aerospace Superiority

Global Mobility

Precision Weapons

Battlespace Mgt

Transformation



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Top Investment Programs (Aerospace Superiority)

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



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Top Investment Programs (Global Mobility)

<u>Program</u>	<u>FY01</u>	<u>FY02</u>	<u>Remarks</u>
■ C-17			
Quantity	12	15	Supports acquisition of 137 C-17s bringing MTM/D to 45.3. Includes \$46M for LAIRCM Funds advance procurement for 12 a/c in FY03
Funding	\$ 3,125	\$3,781	
■ C-130/130J			
Quantity	2	2	Funding supports acquisition of two additional A/C also funds various mods & support equipment
Funding	\$450	\$363	
■ CV-22			
Quantity	0	0	Freeze procurement until additional EMD/Test
Funding	\$102	\$147	Funds R&D/advance procurement



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Top Investment Programs (Precision Weapons)

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



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Top Investment Programs (Battlespace Mgt)

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



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Top Investment Programs (Transformation)

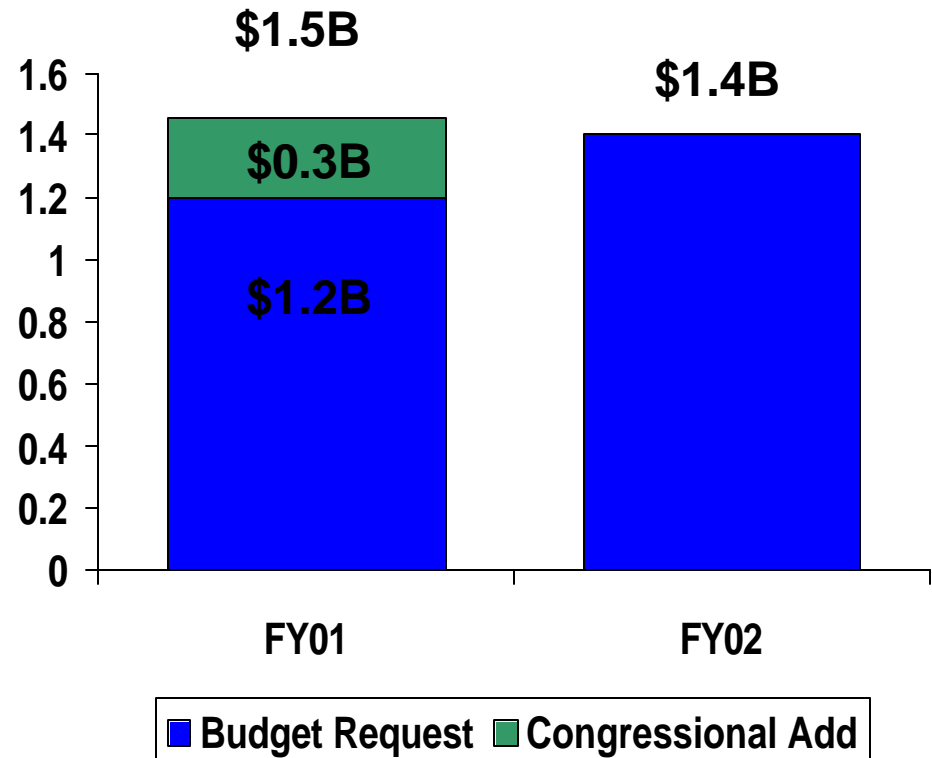
<u>Program</u>	<u>FY01</u>	<u>FY02</u>	<u>Remarks</u>
■ EELV			
Quantity	3	1	Continues Development; Procure Launch of Wideband Gapfiller for FY04 launch
Funding	\$611	\$418	
■ Global Hawk			
Quantity	0	2	Supports accelerated engine & electrical power supplies & sensors. Moves us further toward unmanned high altitude reconnaissance
Funding	\$142	\$303	
■ Small Diameter Bomb			
Quantity	0	0	Provides for development of a 250 pound precision guided weapon with standoff capability.
Funding	\$12	\$40	
■ Space-Based Radar			
Quantity	0	0	Continues requirement definition and technical development for space-base ground moving target tracking capability.
Funding	\$1	\$50	



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Science & Technology

- 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%)



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Modernization Issues

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



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PHYSICAL PLANT

5% of Budget

FY01: \$4.2B

Real Growth: 2% 

FY02: \$4.4B

MILCON

Facility Maintenance

Issues



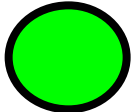
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MILCON Highlights

FY01: \$1.1B

Real Growth: 10%

FY02: \$1.3B

- **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**

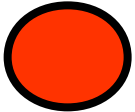
Amended Budget adds \$719M -- 66 projects

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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)

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Physical Plant Issues

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

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



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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



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