

DEPARTMENT OF DEFENSE

The President's Proposal:

- Continues to wage an aggressive and global war on terrorism while supporting transformation of our nation's military capabilities;
- Provides unparalleled training and equipment for the troops;
- Funds the intelligence programs necessary to protect the country and support military needs;
- Enhances the quality of life for military personnel and their families;
- Incorporates innovative management practices that increase efficiencies; and
- Advances transformation for a more agile military force.

The Department's Major Challenges:

- Responding to the war on terrorism's demands, carrying on daily training operations in the United States and around the globe, and transforming to meet the needs of the 21st Century.

Department of Defense

Donald H. Rumsfeld, Secretary

www.defenselink.mil 703-697-5737

Number of Employees: 2.3 million Military (Active, Reserve, and Guard) and 636,000 Civilian

2003 Spending: \$358.2 billion

Major Assets: Four Armed Services (Army, Navy, Marine Corps, and Air Force); 16 Defense Agencies; 10 Unified Combatant Commands; and over 30 million acres of bases and/or facilities worldwide.

The Department of Defense (DoD) is responsible for defending the United States of America while helping to promote American interests globally.

The President has made a clear commitment to continue to provide this nation with the best trained, the best equipped, and the most effective military force in the world. However, it takes more than increased funding to accomplish this goal. It takes a dedicated and professional

workforce. Three million people work for DoD, both in and out of uniform, in all 50 states, the territories, and Washington D.C., as well as on every continent. Not unlike a large corporation, the Department has management, investment, and operational challenges, and not unlike a large corporation, change comes slowly. Change is taking place now. DoD is instituting management reforms, reevaluating older "legacy" programs, implementing transformation, and achieving savings. It is no longer possible to tread upon yesterday's path in preparation for tomorrow's battles.

New Enemies—New Threats

Defending our nation against its enemies is the first and fundamental commitment of the federal government. Today, that task has changed dramatically. Enemies in the past needed great armies and great industrial capabilities to endanger America. Now, shadowy networks of individuals can bring great chaos and suffering to our shores for less than it costs to purchase a single tank.

The National Security Strategy of the United States of America
September 2002

New Challenges in the National Security Environment

Soldiers rush out of a CH-47 Chinook Helicopter carrying weapons during Operation Mine Sweep in Afghanistan.

Soldiers deploy from a CH-47 Chinook Helicopter during Operation Mine Sweep in Afghanistan.

Responding to the New Threat

Since the end of the Cold War, the world has dramatically changed. The threats our military is asked to confront are vastly different from the past. DoD and the intelligence community must not only prepare for the perils of today, but also develop capabilities that will ensure a robust capacity to deter and defeat future threats. Indeed, the dangers that confront us today were, in many cases, secondary yesterday, such as:

- global terrorism and rogue nations that harbor and support terrorists;
- proliferation of weapons of mass destruction, and the risk that they will wind up in the hands of terrorists; and
- instability in regions where states have failed their citizens, creating conditions that terrorists and other criminal elements exploit.

To address these threats, a priority of this Administration is to transform America's armed forces leading to dramatic changes in the way we fight.

Transforming Our Armed Forces

DoD seeks to transform the armed forces, taking advantage of new technologies and operational concepts to strengthen America's military capabilities. The deployment of robotic, unmanned combat air vehicles (UCAVs) could, one day, replace certain strike aircraft and provide a means to easily overwhelm less sophisticated, opposing air forces. Similarly, the employment of advanced laser communications satellites, coupled with new information warfare techniques, could render most existing command and control systems obsolete and vulnerable. Transforming DoD should produce new forces capable of projecting power rapidly, precisely, and on a global basis. These forces will be well-tailored to meet the needs of the 21st Century security environment.

The 2004 Budget provides substantial funding increases over previous years to support transformation and to ensure that the U.S. military maintains its technological superiority and flexibility to meet the challenges of an uncertain world. The budget includes a number of initiatives that are designed to adapt U.S. forces to a shifting and difficult international security environment.

The Secretary of Defense's six transformational goals are to:

- protect the U.S. homeland and critical bases of operations;
- project and sustain power in distant theaters;
- deny our enemies sanctuary;
- leverage information technology;
- improve and protect information operations; and
- enhance space operations.

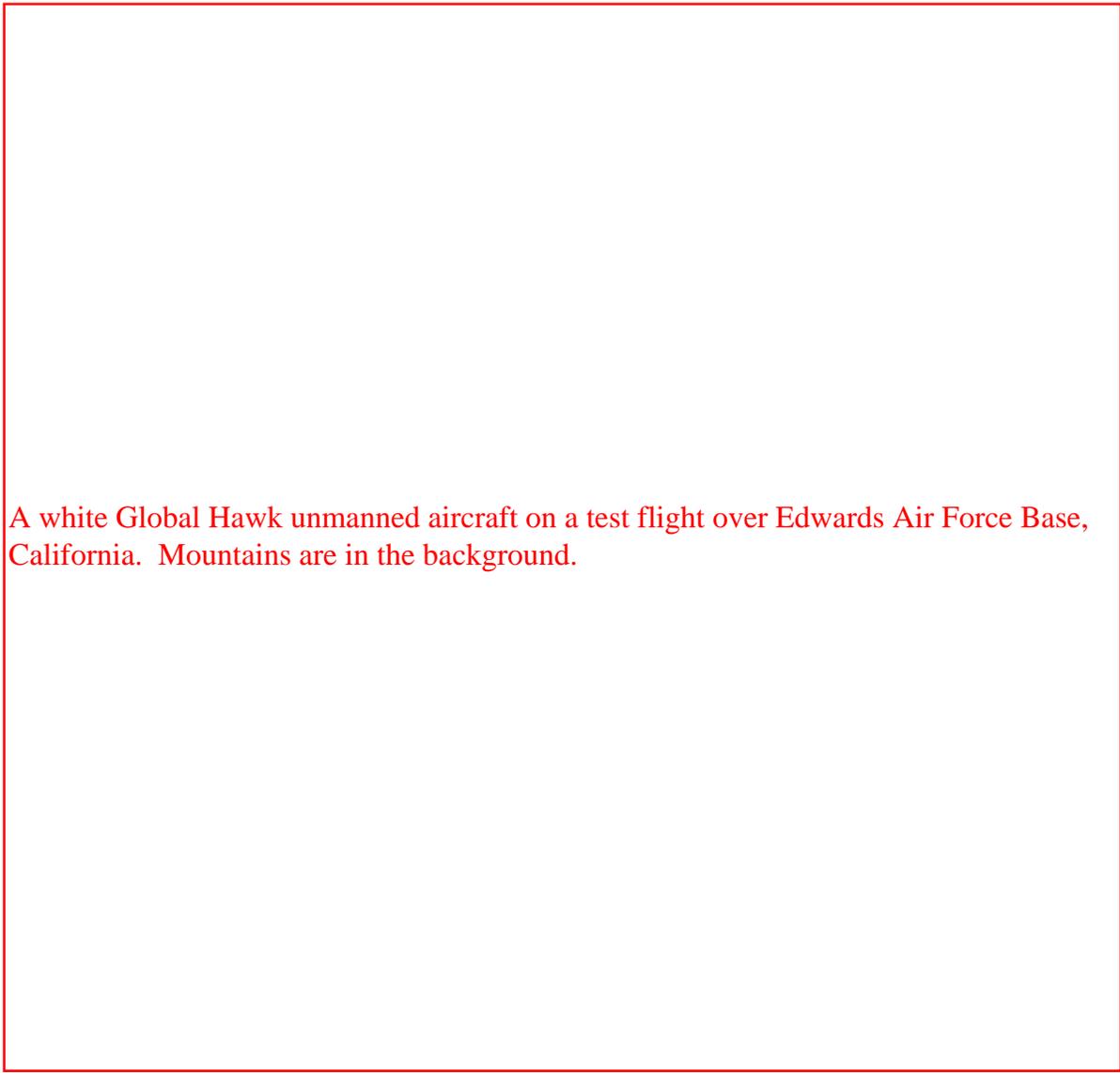
Canceling the Crusader

On May 29, 2002 the President canceled the Army's Crusader Artillery program. In development since 1994, the Crusader weighed 60 tons and would be too heavy for the Army to transport in a timely manner. Moreover, the Crusader was designed to fight a heavy land battle, more likely during the Cold War than the 21st Century. Rather than continuing a system with questionable future relevance, the President reallocated the Crusader's funds to more advanced technologies including precision guided, artillery weapons. The President's Crusader decision, endorsed by the Congress, represents a real step towards transformation.

Part of the challenge in transforming the military is making difficult tradeoffs between programs. Most new programs are costly and will be available to military forces, in some instances, decades in the future. Before DoD decides to buy a new system, it must ensure that the system both has a mission linked to the overall national security strategy and is affordable. The 2004 Budget reflects many areas where the Administration reduced or modified programs because prior plans were not consistent with the new strategy, or because growing costs became untenable. For example,

- The Department cut planned purchases of Comanche helicopters in half, from approximately 1,200 to 650, and refocused the Comanche's mission to reconnaissance/light attack for front line units only, an area where the Army faces significant deficiencies in the future. Curtailing the number of Comanches saves \$1.2 billion over the next six years and \$17.1 billion compared to the Army's original plan. The Department will continue to review and assess the progress, performance, and need for this program.
- The Air Force continues to procure F-22 fighter/attack aircraft but, rather than buying a specific number of aircraft regardless of cost, it will only acquire as many aircraft as a fixed budget permits consistent with operational needs. In this way, the Air Force will obtain the superior capabilities of the F-22, but within affordable budget levels.
- The Army had planned to field six Stryker brigades, mobile units which can be used in conflict situations such as Kosovo and Afghanistan. Instead, the Army will build four Stryker brigades and will reassess its plan to field the final two units as it prepares future budgets. A future decision to field the last two brigades will depend upon the development of a plan that assures the Stryker demonstrates stronger combat capability across a broader spectrum of operations and can be deployed independent of higher level command formations and support.

Many capabilities funded in the 2004 Budget reflect "real-world experience" from the war in Afghanistan to worldwide counter-terrorism operations. Although advanced weapons systems are an element of transformation, new operational concepts and over-arching command, control, communications, and computers together with better intelligence can also leverage dramatic improvements in combat power, even with existing equipment fielded by today's forces. The linkage of Hellfire missiles with Air Force Predator unmanned aerial vehicles and an advanced, remote targeting network is just one example. Another example: for the first time in a war, U.S. forces will have the ability to move battlefield information to the warfighter rapidly by connecting information from reconnaissance aircraft, jamming aircraft, satellites, and Predators. Finally, as recently as December 1, 2002, U.S. Special Forces in Afghanistan's Herat province were using advanced target designators and communication links to call in B-52 aircraft for precision bomb strikes against hostile forces.



A white Global Hawk unmanned aircraft on a test flight over Edwards Air Force Base, California. Mountains are in the background.

A Global Hawk unmanned aircraft on a test flight over Edwards Air Force Base, California.

In addition to obtaining highly capable aircraft, ships, and land forces, this budget continues or expands investment in the following programs:

- Unmanned aerial vehicles that will provide longer endurance and continuous surveillance (Global Hawk) and new armed strike capabilities (Predator Bs). The Department also is investing in UCAVs, with early prototypes already flying and advanced demonstrations planned by late 2005.
- A new generation of ships, including a more capable aircraft carrier (CVN-21) and destroyer (DD-X). Both programs will couple significant reductions in the number of sailors required to operate the vessels with new combat capability. In addition, progress continues in modifying four Trident class ballistic missile submarines to carry cruise missiles and Special Forces teams.
- Development of the Army's Future Combat System—a series of vehicles and weapons that will combine agile ground forces, airmobile assets, intelligence/surveillance, and digital battlefield communications to transform land combat operations.

- An expansion of the U.S. Special Operations Command's (SOCOM) capabilities to enhance its role as a national asset in the war on terror. Building on its prominent role in Afghanistan, the budget recommends a 20-percent increase in funding for SOCOM to improve its ability to contribute to the war on terrorism, while continuing to respond effectively to other world crises. The President's 2004 Budget is an essential first step in building a more robust SOCOM capable of responding effectively to the evolving threats associated with terrorism.
- Space-based radar and other advanced space surveillance and reconnaissance capabilities that will begin furnishing global, continuous coverage of high-priority targets and regions.

Deploying Missile Defenses

On December 13, 2002 the President directed the deployment of defenses against long-range ballistic missile threats. To achieve this goal, the 2004 Budget provides more than \$9 billion. To support these initial deployments, the Administration reorganized the Missile Defense Agency to improve program management and system engineering. Under the new organization, missile defenses will be developed in modest steps, with firm cost and technical controls, in contrast to the previous program approach that had a significant risk of failure. These management changes were scored favorably by the Program Assessment Rating Tool (PART) review described later in this chapter.

The missile defense effort includes a large-scale research and development program, the creation of an expanded Pacific missile defense test range, and development of a series of incremental "blocks" of new capabilities. The Block 04 Program consists of both ground and sea-based systems, leading to a limited, contingency defense against intercontinental ballistic missiles in late 2004 with improved operational defenses in 2005 and beyond. In addition, Block 04 will include improved defenses against shorter-range theater missiles. Subsequent blocks will add improved capabilities and build our confidence in protecting both the United States and our deployed forces. Over time, new technologies, such as boost-phase interceptors and the Airborne Laser, will be added to provide more timely and effective missile defenses.

Protecting the Homeland

The impact from the September 11, 2001 attacks in New York, Virginia, and Pennsylvania will not be forgotten. Many new steps have been taken since that day to protect Americans from terrorist attacks at home. DoD has created a new combatant command (NORTHCOM) whose is to defend the American homeland. When ordered by the President or Secretary of Defense, NORTHCOM is prepared to support civil authorities in the event of a domestic terrorist attack that overwhelms nearby resources. NORTHCOM will team up with interagency groups on the federal, state, and local level. NORTHCOM also will work to prevent terrorist attacks with programs such as protective Combat Air Patrols and early warning air defenses.

Two F-16s fly over Detroit. Skyscrapers and the Detroit River are in the background.

Two F-16s fly over Detroit.

Besides NORTHCOM, there are numerous other Department efforts that support the United States' homeland security efforts. For instance, DoD has a large number of research and development programs which build defenses against biological, chemical, and other weapons of mass destruction.

The National Guard also undertakes extensive homeland security activities and has emergency response teams to support civil authorities. These teams supply trained and ready personnel to support state and local authorities in times of need.

Investing Wisely in Energy Conservation

DoD's Energy Conservation Investment Program (ECIP) provides investment resources to the Military Services and Defense Agencies which yield an average of four dollars in energy savings for every program dollar. The Navy has an ECIP project in San Diego, California for various facility energy improvements including the replacement of electric and steam systems with heat pumps. Estimated energy savings for this project are \$6.7 million on a \$1.1 million ECIP investment, or a savings to investment ratio of 6:1. The Air Force is using wind generators to save on fuel on Ascension Island in the Atlantic Ocean between Africa and South America. More than 1.4 million gallons of fuel were saved through 2001. Savings are projected to be more than \$11 million on a \$4.5 million investment, or a savings to investment ratio of 2.5 and a payback period of seven years.

Performance Evaluation of Select Programs

DoD is focusing on improving its management, consistent with Administration efforts to increase the efficiency and accountability of government programs. The two key initiatives are an evaluation of select programs using the government-wide PART and the implementation of the President's Management Agenda.

Using the PART, 12 DoD programs that receive just over 20 percent of DoD's resources were reviewed. Highlighted in the accompanying table are six programs and their ratings. A full list of the programs assessed and their ratings is available in the *Performance and Management Assessments* volume.

Program	Rating	Explanation	Recommendation
Energy Conservation Improvement Program	Effective	DoD represents three-fourths of federal energy use. ECIP projects improve energy and water efficiency in existing facilities and produce average savings of about four dollars for every dollar invested. The ECIP purpose is clear with realistic, attainable goals. It is a well-managed program.	The Administration proposes doubling funding for this program from \$35 million enacted in 2003 to \$70 million in 2004. Up to \$420 million in savings could accrue to DoD from the additional energy projects. The Administration will ensure that the program produces high returns on this investment and develops new performance metrics.
Recruiting	Moderately Effective	DoD's recruiting program has been successful, especially over the last few years, at accessing the number and quality of recruits needed. It also has a significant number of flexible tools available to adapt to differing circumstances. It does not have a management information system to allow for more efficient utilization of resources.	DoD should create a management information infrastructure to provide DoD with better information about the effectiveness of different program parts.

Airlift Program	Moderately Effective	<p>The analysis showed that the program purpose and goals were clear. However, DoD should aggressively examine possible trade-offs within the program that could lower the cost of meeting the airlift requirement without sacrificing military readiness or combat capabilities.</p>	<p>DoD should develop methods of assessing the capabilities of the airlift program as a whole, rather than continue traditional assessments of individual acquisition programs. As a first step, DoD should develop annual performance goals and measures for the overall airlift program to reflect the needs of the 2001 defense strategy and the global war on terrorism.</p>
Missile Defense	Moderately Effective	<p>The Missile Defense Agency (MDA) made significant strides in strategic planning and improved management. However, it has defined cost, schedule, and performance goals only for its near-term 2004 program. Longer-term goals are still in development. Technical progress, test accomplishments, and overall program results for 2002 were much improved, with four out of five successful intercept tests for the ground and sea-based missile defense systems. However, these technical successes could not be fully assessed against the new program goals which were finalized in December 2002.</p>	<p>The MDA should complete development of long-term goals. In addition, MDA, the Joint Staff, and military services should develop military operational goals for each block of missile defense capabilities. These goals should be linked to the existing MDA research and development goals.</p>

Facilities Sustainment, Restoration, Modernization	Adequate	DoD has made significant progress in developing plans and goals for the improvement of existing facilities. It has been less effective in ensuring that funds intended for maintenance, repair, and improvement of facilities are not moved to pay for other programs. Over time this movement of funds has led to sub-standard buildings.	DoD's current measure of the quality of its facilities suffers from subjective assessments of quality. It should pursue a readiness reporting system that yields more consistent, objective information. This will support better decisions on where money should be spent to provide quality facilities.
Chemical Demilitarization	Ineffective	The purpose of the program is very clear, owing to the unique treaty requirement to dispose of chemical weapons. The program has faced a number of challenges including schedule delays and cost overruns at several sites thus challenging the U.S.'s ability to meet treaty deadlines. The program has begun destruction activities at only two of nine sites.	While DoD developed specific milestones for each site, its management should focus on maintaining the schedule and efficiency goals. DoD should approve a destruction process and proceed with planning efforts for the Blue Grass, KY site and work with the community at all sites to ensure that safety concerns are met.

Assuring the Readiness of the Armed Forces

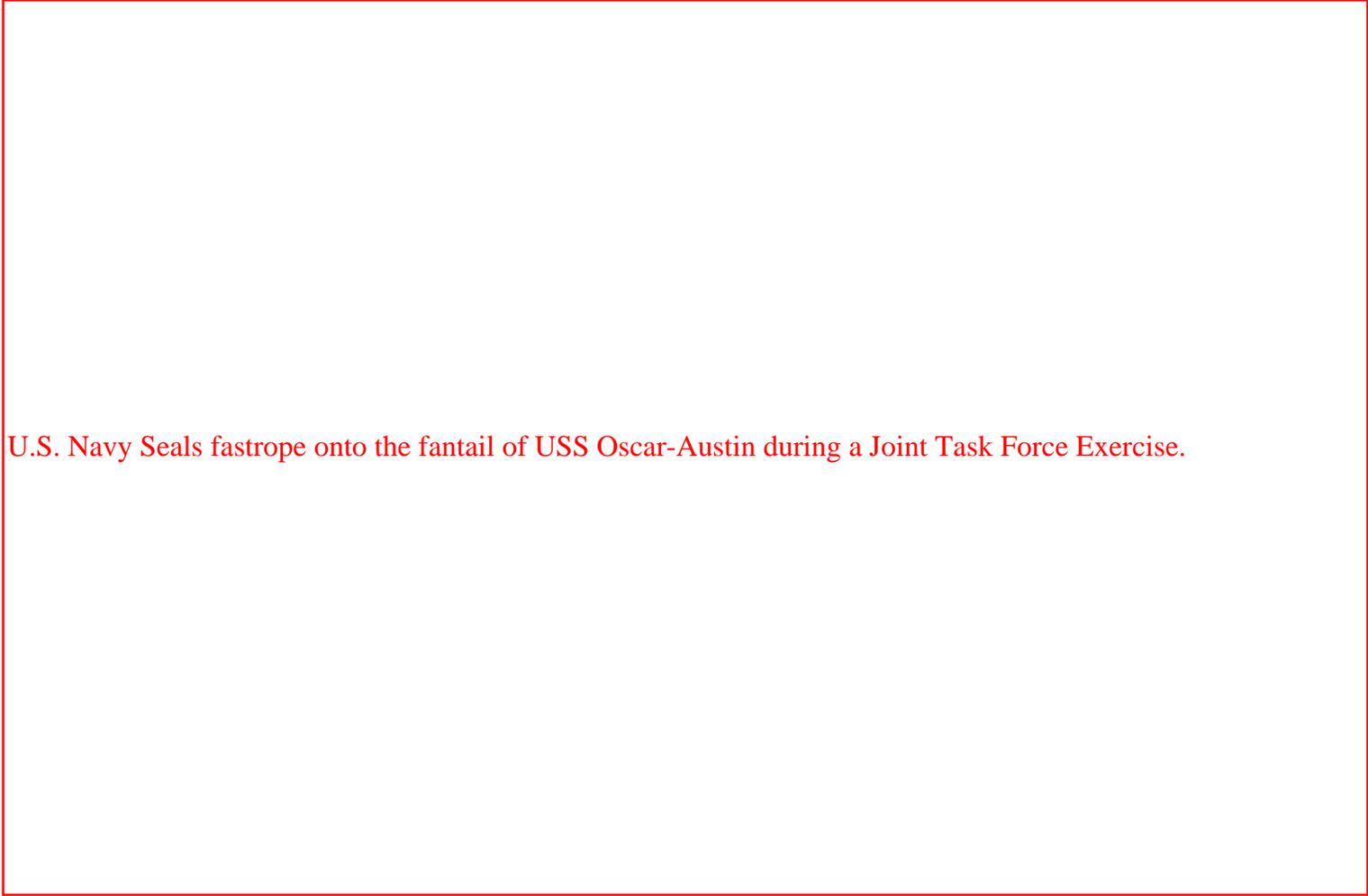
Recruitment

For the second year in a row, all of the services made their recruitment goals, both in the number and quality of recruits. Overall, the services required 210,000 young Americans to enlist to meet their recruiting goals; they achieved the recruitment of 212,000. In fact, the Army reached its 2002 goal in mid-August, with more than a month to spare. This allowed the Army, and the other services, which had similar successes, to improve their position for future recruiting. The 2004 program continues robust funding for recruiters, recruiter support, and promotional activities to ensure continued success in this vital function.

Findings from the PART, however, reveal that DoD does not have a useable overall information architecture in place to help managers implement the program effectively. The cost per recruit continues to rise; it is expected to cost the Department more than \$14,000 per recruit during 2004. Thus, the budget recommends identifying performance goals to enhance not only the effectiveness of the program, but also its efficiency.

Training

The increasingly dynamic global security environment indicates that tomorrow's operational environment will require more cooperation among the armed services, be linked by technology, and often be multinational. The transformation effort will produce an interoperable force that is more agile in addressing future threats in such environments. Training must incorporate the full range of new technologies to ensure our armed forces are agile and ready.



U.S. Navy Seals fastrope onto the fantail of USS Oscar-Austin during a Joint Task Force Exercise.

U.S. Navy Seals participate in a Joint Task Force Exercise.

To achieve this goal, the budget supports certain critical training programs. The 2004 Budget strongly supports the services' individual training programs to ensure unit cohesion and readiness. In addition, the services are implementing a new training initiative known as transformational training. This training brings together units from the Army, Navy, Air Force, and Marine Corps to train as one unit, and it is intended to address lessons learned in recent conflicts, to "train as we fight," and to ensure the services can operate closely in combat situations.

Equally important though, DoD is increasingly building on the service specific capabilities by integrating missions and developing training to prepare for joint operations. The recently reconfigured Joint Forces Command, in Norfolk, Virginia, is coming into its own with a Joint

Warfighting Center, specifically tasked with helping the services practice joint engagements demonstrated so effectively in Afghanistan.

Also under the aegis of Joint Forces Command, DoD is creating a new Joint Training program and the Joint National Training Center, which includes live-fire ranges and specific exercise areas for inter-service operations. The Center will blend live and simulator training with advanced command and control technologies to enable much closer communication and coordination across services. Increased use of this approach will strengthen our ability to train members of the armed forces under the same conditions in which they will fight. The President's 2004 Budget helps expand the scope of joint training with an investment of \$162 million.

In Afghanistan, Army, Navy and Air Force Special Forces personnel on the ground provided precise and timely targeting information to Air Force, Navy, and Marine Corps planes overhead. This substantially improved the pilots' accuracy and ability to identify and hit mobile targets before those targets could move out of range. This cooperation translated into more effective missions, particularly in helping friendly Afghan forces pin down and destroy Taliban forces, while providing better protection to U.S. and foreign forces as well as civilians.

The war on terrorism is also being waged with our guard and reserve units. These service members provide critical skills and are being extensively used to provide protection to our bases and infrastructure, both at home and overseas. All of the services, recognizing that the reserve components can be called upon for only a limited time, have begun to transform their active-duty forces so that they have more of the high-demand units on full time duty. For example, the Air Force plans to increase the number of active duty people assigned to the specialties which are currently understaffed by reducing people in areas that are comparatively overstaffed. This will allow the guard and reserve members to return to the civilian world as soon as possible. This will also reduce the cost of deployments, as more personnel would already be trained to deploy more quickly as needs arose.

Focusing on the Military Mission

The Department continues to pursue ways to return military members to the war-fighting ranks by increasing the "tooth-to-tail" ratio through conversion of support staff to combat troops. As part of the President's Management Agenda's competitive sourcing initiative, the Department is committed to competing one-half, or 226,000, of the positions in DoD's Federal Activities Inventory of 452,000 civilian positions in such commercially available activities as manufacturing eyeglasses for U.S. troops. The Department is attempting to open up for competition many of the commercial services it now performs itself, such as health care activities to free up thousands of military positions for war-fighting.

DoD continues to identify core and non-core functions to realign the civilian and military workforce to accomplish the Department's missions. These efforts eliminate inefficiencies and optimize the use of our well-trained armed forces to fight and win the nation's wars.

One way of achieving this goal is to transfer some non-core functions to agencies better equipped to perform them. DoD will propose legislation this year to transfer the function of personnel background investigations of its employees to the Office of Personnel Management (OPM). This proposal would transfer 1,855 DoD civil servants currently employed by DoD to OPM. Another proposed transfer would move the National Security Education program to the Department of Education. This program provides grants to graduate and undergraduate students in certain language and area studies programs. In return for the scholarships, recipients agree to serve for a

few years in a national security field in either government or academia. This program is better suited for administration by the Department of Education, which has similar programs.

Maintenance

Spare parts and repair of equipment in depots are critical to helping keep U.S. forces capable and ready to accomplish their missions. Since 1998, the Air Force has spent about \$16 billion on spare parts and maintenance. This sustained investment has increased the Air Force's mission-capable rate (the percentage of aircraft ready to meet mission goals) from about 76 percent in 1998 to about 78 percent in 2002. This has resulted in 60 more aircraft being available to perform their mission. The 2004 President's Budget will help the Air Force continue to build on gains already made.

Similarly, the 2004 Budget supports the recent gains made in maintaining the readiness of Navy ships. Along with robust funding levels, the Administration is committed to fixing problems as they arise. Over the last few years, the Navy adopted a continuous maintenance philosophy for its surface ships. This approach involves more frequent, but less extensive, repairs preventing added overall downtime due to major repairs, and yielding surface ships which are better maintained and ready to perform their missions.

Intelligence and Space

Without accurate and timely intelligence, even the most capable fighting force in the world is severely impaired. Over the last two years, the Administration has invested in technology, personnel and programs to give our military and national security officials the "eyes and ears" to make sound defense decisions. The 2004 Budget for intelligence and space programs will:

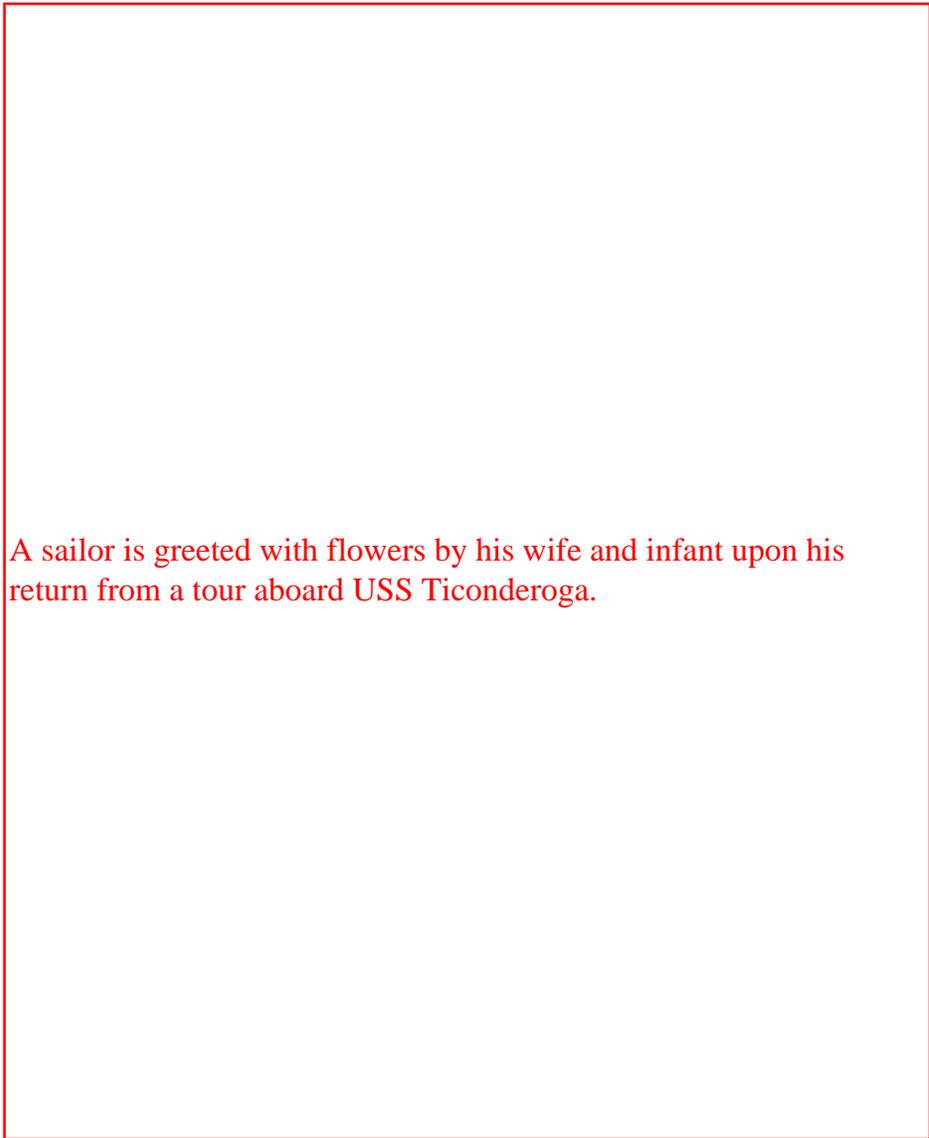
- Sustains operations against terrorism around the world;
- Improve collection, processing, analysis, and dissemination capabilities to meet increased demands;
- Sustain the DoD/intelligence community space organizational structure instituted in 2002. Under this new structure, the range and capability of space assets will increase to support intelligence, imaging, mapping, reconnaissance, and communications objectives by:
 - continuing to upgrade almost all of the nation's national security satellites; and
 - continuing to develop advanced space programs such as high-data rate laser satellite communications; next-generation of missile warning and weather satellites; jam-resistant satellite and receiver equipment; space control efforts to protect U.S. space assets; and new programs, such as space-based radar, that provide persistent coverage of regions of interest;
- Modernize the military services' intelligence, surveillance, reconnaissance, and electronic warfare systems. Many of these systems will have new, expanded and/or enhanced technical capabilities, and will interface with networked information systems to improve decision-making and help provide our armed forces "information superiority"; and
- Expand the National Imagery and Mapping Agency's use of commercial space-based imagery. This effort will improve geospatial readiness and responsiveness, and contribute to improved

military planning, damage assessment, public diplomacy and humanitarian assistance. It will also help meet the demand for unclassified imagery that can be easily shared with multiple organizations or coalition partners. For example, in October 2002 the United States used commercially obtained satellite photos to demonstrate Iraq's continued efforts to hide evidence of its weapons of mass destruction. By using commercial imagery, DoD could disseminate this evidence widely without security concerns.

Enhancing the Quality of Life of Military Personnel and Their Families

Military Compensation

The President has sustained large increases in military pay, and ensured that military compensation remains competitive. In 2002, President Bush proposed, and the Congress approved, the largest military pay raise in 20 years. This raise included an across-the-board increase of 4.6 percent, plus additional targeted raises for certain experienced personnel. Total pay raises averaged 6.9 percent. For 2003, the President proposed and the Congress approved a military pay raise of 4.7 percent—including an across-the-board pay raise of 4.1 percent and further targeted raises averaging 0.6 percent. The President's 2003 Budget also proposed, and the Congress approved, up to \$1,500 monthly, on top of base salary, to personnel accepting certain hard-to-fill assignments.



A sailor is greeted with flowers by his wife and infant upon his return from a tour aboard USS Ticonderoga.

A sailor is greeted upon his return from a tour aboard USS Ticonderoga.

For 2004, the budget proposes a range of pay increases from 2.0 to 6.3 percent, targeted by rank and years of service. These differential pay increases enhance the Department's ability to retain its most experienced soldiers, sailors, airmen, and marines. With the increase, base military salaries will average more than \$37,000 for enlisted personnel and more than \$75,000 for officers, exceeding the average salaries of their civilian counterparts with similar education levels.

The President's Budget also contains funding for a full range of quality of life programs. The budget funds free health care for military members, retirees, and dependents, as discussed later in this chapter. Members also receive retirement benefits, can contribute to the Federal Thrift Savings Plan, and can participate in a full range of morale, welfare, and recreational activities.

In addition to their base salary, benefits include:

- monthly special or incentive pays ranging from a few hundred to a few thousand dollars;
- enlistment and reenlistment bonuses that are often in the tens of thousands of dollars;
- generous retirement benefits paid for by the government;
- commissaries and exchanges which provide below-market cost groceries and other products;
- free utilities in base housing;
- subsidized child care in accredited centers; and
- access to fitness facilities.

Housing

Four male service members play basketball in the desert of Al Udeid Air Base, Qatar. Tent-like housing structures are in the background.

Troops play basketball in Qatar. High quality temporary housing typical of many overseas posts is in the background.

The Administration is committed to improving the quality of housing for military families. DoD seeks to eliminate 163,000 inadequate housing units (out of a total of 273,000) by 2007. About two-thirds of military families live in private sector housing in the community with the rest residing in government housing.

The most effective way to eliminate inadequate housing, and to quickly improve the quality of housing over the long-term is to privatize government-owned family housing. Allowing the private sector do what the government has done inefficiently will improve military housing over the long term. One aspect of the President’s housing initiative permits DoD to enter into business agreements which use private sector expertise and leverage government resources. This approach is improving the quality of family housing faster than the traditional approach of constructing government-owned houses. The privatization program has quadrupled the rate of modernization over the last two years.

President’s Management Agenda—Program Initiative

Initiative	Status	Progress
Privatization of Military Housing	=	=

DoD plans to achieve its goal of eliminating its inventory of inadequate houses by 2007. DoD has already upgraded 10 percent of its housing inventory and plans to modernize 76,000 houses over 2003 and 2004 through partnerships with the private sector.

From Military Housing to Homes and a Real Neighborhood

At a recent conference, Sergeant First Class V. W. Holcomb and his wife, Simone, talked about their privatized housing at Fort Carson, Colorado. "Just like everyone else that has been in or knows someone who has been in the military, when you think of living in military housing you think of an old rundown brick WWII bunker. I know that's what I always lived in. Now people are shocked when we show them pictures of our home. For the first time we are able to feel like we live in our own home. We have the opportunity to live in a real neighborhood. We are able to have a real yard. There is an easily visible and accessible playground adjacent to our residence which allows our younger children to play safely and close to home. There is a sense of home in the new houses that military housing has never provided before. Every day we watch new housing going up on Fort Carson. If we continue to get opportunities like these, then more soldiers and their families will be honored by being able to live on their military installations and will have even more incentives to stay in the military."

The Army, at Fort Carson, partnered with the private sector to build 2,663 family houses. This project will renovate 1,823 existing units and construct 840 new units by the end of 2004. To date, over 500 new homes have been constructed. Every month, 20 new units are constructed and 40 existing units are renovated.

To date, DoD has privatized 26,166 family houses at 17 installations across the United States—about 10 percent of its current inventory. Just in the past year, DoD entered into public-private partnerships to refurbish over 10,000 more houses. In 2003 and 2004, DoD plans to further accelerate public-private ventures by privatizing approximately 76,000 units.

A second key part of the President's housing initiative is to reduce out-of-pocket expenses of military families living in off-base housing. Service members who live off-base receive a Basic Allowance for Housing to cover most of the average housing costs. The proportion of housing costs that members absorb is 7.5 percent in 2003, and this is scheduled to decrease to 3.5 percent in 2004 and zero in 2005.

Defense Health

DoD provides health care to just under nine million military active duty members, retirees, and their families through military hospitals and private sector health contracts. The Defense Health program trains military medical personnel to support our troops in times of war and operates military hospitals so that medical personnel can obtain valuable experience.

The program has achieved impressive results over the past year. DoD, for example, improved the design of its private sector health insurance contracts. Past contracts encouraged the use of the private sector even when federal hospitals were underutilized, thereby duplicating many costs such as nursing and physician staffing. New contracts will continue to provide top-notch care to patients, but will search for intelligent ways to control costs such as increased use of federal hospitals before sending patients to private sector hospitals. The Department is also working closely to share and coordinate health care services with the Department of Veterans Affairs (VA). More information on these endeavors can be found in the VA chapter.

The budget includes a proposal to allow Defense health to continue to use “non-availability statements” which require certain patients to use military hospitals if space is available before seeing private sector providers. This process allows military medical personnel to receive the valuable experience and training needed to support our troops in times of war.

The federal government has developed a set of common measures for five functions in different departments. These common measures allow comparisons on the effectiveness and efficiency of similar programs. The 2004 Budget takes the first step toward comparing the performance of federal health care systems by displaying newly developed access, quality, and efficiency common measures for VA, DoD’s health systems, the Department of Health and Human Services’ Community Health Centers, and the Indian Health Service. When looking at common measures, it is important to understand key differences in programs. The adjoining overview defines the size of the program and what portion of care is provided at military health hospitals (in-house) versus private sector hospital contracts. The cost and efficiency measures below have not been adjusted for differences between DoD and other agencies—including risk/health status, socioeconomic status, age, gender, and benefit package differences. For example, DoD’s benefits package includes comprehensive health care which is not always comparable to other programs. In addition, the cost of ensuring that military medical personnel are ready and trained for combat is not included in the other federal programs.

Overview of the Defense Health Care System

	2004 estimate
Number of individual patients	6,980,000
Annual appropriations request (in millions of dollars)	\$26,700
Number of Medical workers	13,537
Average age of individual patients	39.0
Male and female individual patients (percent)	53% (Male) 47% (Female)
Cost directed to in-house services, excluding contract services (percent)	58%

Health Care Common Measures

Measure/Description	Goal	2001 Actual	2002 Estimate
Cost —Average cost per unique patient (total federal and other obligations)	Under Development	\$3,324	\$3,607
Efficiency —Annual number of outpatient visits per medical worker	Under Development	4,533	4,500
Quality —The percentage of diabetic patients taking the HbA1c blood test in the past year	Under Development	72%	72%

Note: Research funding is excluded. Medical workers include the equivalent number of full time physicians, dentists, nurse practitioner, physician assistant, and nurse mid-wife providers, but exclude appointments by off-site contractors, medical residents/interns, and trainees. However, patient visit numbers include visits to medical residents, contracted employees, and trainees. Cost information includes all direct costs of military health care in the DoD budget and in the trust funds.

Update on the President's Management Agenda

	Human Capital	Competitive Sourcing	Financial Performance	E-Government	Budget and Performance Integration
Status	← Up Arrow	□	□	□	← Up Arrow
Progress	□	□	□	□	□

Arrows indicate change in status since baseline evaluation on September 30, 2001.

While prosecuting the war on terrorism has been DoD's principal task since September 2001, the Department has made major efforts to address the President's Management Agenda. In Human Capital, DoD made significant accomplishments in headquarters reductions (11 percent), planned reorganizations, reductions in supervisors and managers, and outsourcing efforts. In competitive sourcing, DoD continues to compete commercial functions it now performs with the private sector. The financial management architecture contract award allows for the completion of the DoD Enterprise Architecture plan by Spring 2003. DoD made progress implementing information technology (IT) security measures and made business cases justifying 180 IT projects. DoD's Budget and Performance Integration progress moved to green as it has developed performance metrics for use in the 2004 Budget.

Department of Defense (In millions of dollars)

	2002 Actual	Estimate	
		2003	2004
Spending			
Discretionary Budget Authority:			
Military Personnel	86,929	93,436	98,577
Operations and Maintenance	132,702	129,373	133,235
Procurement	62,739	71,403	74,396
Research, Development, Test, and Evaluation	48,713	56,798	61,827

Military Construction	6,631	6,288	5,018
Family Housing	4,048	4,204	4,016
Revolving and Management Funds and Other	2,645	3,132	2,829
Total, Discretionary budget authority ¹	344,407	364,634	379,898

¹ Includes \$16.6 billion in 2002 supplemental funding.

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