

DEPARTMENT OF DEFENSE

FY 2001 SUPPLEMENTAL REQUEST

June 2001

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**Department of Defense
FY 2001 Supplemental Request**

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Summary of Program Requirements
(Dollars in Millions)

	<u>Urgent Pay and Benefits</u>	<u>Readiness, Training and Operations</u>	<u>Contractual Obligations & Cost Growth</u>	<u>Infrastructure & Weapons Systems Repair & Maintenance</u>	<u>Transformation Capabilities</u>	<u>Other</u>	<u>Total</u>
Army	222.0	389.7	227.4	129.3	-	3.0	971.4
Navy	84.0	580.0	274.1	379.0	80.0	36.4	1,433.5
Marine Corps	69.0	11.0	50.6	5.4	-	-	136.0
Air Force	107.0	715.8	377.2	249.3	93.0	216.6	1,758.9
Defense-wide	-	34.5	23.9		15.0	111.2	184.6
Working Capital Fund	-	-	178.4	-	-	-	178.4
OCOTF *	-	32.0	-	-	-	-	32.0
Defense Health Program	<u>1,427.0</u>	<u>-</u>	<u>26.4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,453.4</u>
Total DoD	1,909.0	1,763.0	1,158.0	763.0	188.0	367.2	6,148.2

Reductions

Navy	-235.0
Air Force	<u>-270.0</u>
Total Reductions	-505.0

New BA Request

5,643.2

* Overseas Contingency Operations Transfer Fund (OCOTF)

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Overview of Requirements

The Department of Defense (DoD) is requesting a non-offset supplemental totaling \$6.1 billion to fund improved health care and recently authorized pay and benefits, to support substantial and immediate improvements to readiness, to finance contract and extraordinary cost growth, and to commence transformation initiatives.

This supplemental requests additional resources to finance the increased costs attributable to improving healthcare technologies and expanded health benefits. Healthcare is a fundamental benefit and profoundly impacts the well being of military personnel, retirees, and their families. It is critical that healthcare costs be financed. This supplemental also requests additional resources to finance the costs for several new entitlements for military personnel included in the FY 2001 National Defense Authorization Act (Public Law 106-398) for which no funds were appropriated. These enhancements, particularly the increase in the pay tables for mid- and senior grade enlisted personnel, will enhance retention efforts at critical grades. Personnel in these grades are highly skilled, and because they increasingly have some college experience, are in great demand in the private sector. Since retaining them is critical to the Department's ability to ensure continuity and leadership, the Department embraces this pay table reform, but requires additional funding to prevent migration of resources from other critical areas of the budget. Funds are also requested to support equitable housing allowances and pay rates. The Department has revised the method of determining housing allowances to improve service members' quality of life and ensure that the housing they obtain in the economy is safe and is located in desirable neighborhoods.

This supplemental funding request seeks to improve readiness with robust funding for operating tempo. The Military Departments' fleets of aging aircraft require more resources to achieve flight operation levels that are adequate to maintain pilot proficiency. Similarly, overall operations must not be threatened by base operations funding levels which are insufficient to pay "must pay" bills. Additional resources for base operations will stem the migration of funds from unit training and readiness programs. Additional funds are also necessary for emergent operations, such as Sierra Leone, and to alleviate recently identified antiterrorism force protection vulnerabilities exposed by the bombing of the U.S.S. Cole.

As in the private sector, DoD is experiencing extraordinary increases in the price of electricity and natural gas, which have increased by an estimated 10 percent and 158 percent, respectively, since last year. The DoD also has costs which must be financed including: C-17 overhead costs, Airborne Laser, cost growth on ships under contract, and, in the furtherance of U.S.-Japan relations, the Navy's ability to follow through on plans to recover the bodies of victims lost in the EHIME MARU accident. The DoD must also finance contractual commitments and settlements that were not known when the FY 2001 budget was requested.

Finally, this supplemental request includes funding to accelerate the transformation of U.S. military capabilities to counter post-Cold War threats more decisively -- as emphasized by President Bush and Secretary Rumsfeld. Funding also would accelerate: development and implementation of information warfare capabilities to enhance the intelligence community's ability to detect terrorist threats, the fielding of Global Hawk

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to greatly expand the surveillance and reconnaissance capabilities of deployed U.S. forces, and development of miniature munitions to increase payload capabilities of combat aircraft. Funding is also requested to expand joint experimentation efforts through additional simulations and other initiatives. All this funding bolsters programs that are especially promising to the needed transformation of America's defense posture.

The additional funding DoD is requesting totals \$6,148.2 million. The DoD also requests that \$505.0 million of available FY 2001 funding be reduced to partially offset the total requirement, leaving a total request for new budget authority of \$5,643.2 million. The proposed reduction includes \$475.0 million from the V-22 aircraft program and \$30.0 million from the B-52 modifications program since these funds are excess to requirements. The Blue Ribbon Panel has recommended proceeding with a restructured V-22 program using a phased approach to return to flight and fleet introduction. Production of V-22 aircraft will be maintained at a minimum rate while the aircraft design changes are being developed and tested. Partially as a result of this restructuring, the production program can be reduced by \$475 million; however, an increase of \$80.0 million is required for initial redesign and testing effort to address deficiencies in the aircraft.

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**Summary of Requirements By Category
(Dollars in Millions)**

	<u>Army</u>	<u>Navy</u>	<u>Marine Corps</u>	<u>Air Force</u>	<u>Other</u>	<u>Total</u>
<u>Category 1: Urgent Pay and Benefits</u>						
Defense Health Program	-	-	-	-	1,427.0	1,427.0
Legislated Pay Entitlements	43.0	30.0	10.0	33.0	-	116.0
Housing Survey Results	84.0	13.0	45.0	68.0	-	210.0
Army Subsistence	28.0	-	-	-	-	28.0
Army Reserve Training	42.0	-	-	-	-	42.0
Navy Officer Pay Table Reform	-	28.0	-	-	-	28.0
Permanent Change of Station Moves	<u>25.0</u>	<u>13.0</u>	<u>14.0</u>	<u>6.0</u>	-	<u>58.0</u>
Total Category 1	222.0	84.0	69.0	107.0	1,427.0	1,909.0
<u>Category 2: Readiness, Training and Operations</u>						
Improved Recruiting and Retention	-	-	-	33.0	-	33.0
Flying Hours	-	425.0	-	525.0	20.0	970.0
FOCUSED RELIEF	10.7	7.0	-	3.8	14.5	36.0
Base Operations	317.0	90.0	-	7.0	-	414.0
Second Destination Transportation	62.0	-	-	-	-	62.0
Force Protection	-	22.0	11.0	-	-	33.0
Contractor Logistics Support	-	-	-	63.0	-	63.0
Training Munitions	-	-	-	73.0	-	73.0
Joint Exercises	-	-	-	11.0	-	11.0
EHIME MARU	-	36.0	-	-	-	36.0
Army Reserve Contingency Operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32.0</u>	<u>32.0</u>
Total Category 2	389.7	580.0	11.0	715.8	66.5	1,763.0
<u>Category 3: Contractual Obligations and Cost Growth</u>						
C-17 Overhead Cost	-	-	-	49.0	-	49.0
Airborne Laser	-	-	-	153.0	-	153.0
Cost Growth on Ships under Contract	-	222.0	-	-	-	222.0
Natural Gas/Electricity Growth	<u>227.4</u>	<u>52.1</u>	<u>50.6</u>	<u>175.2</u>	<u>228.7</u>	<u>734.0</u>
Total Category 3	227.4	274.1	50.6	377.2	228.7	1,158.0

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**Summary of Requirements By Category
(Dollars in Millions)**

	<u>Army</u>	<u>Navy</u>	<u>Marine Corps</u>	<u>Air Force</u>	<u>Other</u>	<u>Total</u>
<u>Category 4: Infrastructure and Weapon Systems Repair and Maintenance</u>						
California Electrical Demand Reduction	3.3	14.0	5.4	7.3	-	30.0
Oman Runway Repair	-	-	-	18.0	-	18.0
Air Force BRAC	-	-	-	9.0	-	9.0
Real Property Maintenance (RPM)	126.0	44.0	-	16.0	-	186.0
Aircraft Depot Maintenance	-	77.0	-	199.0	-	276.0
Ship Depot Maintenance	-	200.0	-	-	-	200.0
U.S.S. Cole Repairs	-	<u>44.0</u>	-	-	-	<u>44.0</u>
Total Category 4	129.3	379.0	5.4	249.3	-	763.0
<u>Category 5: Transformation Capabilities</u>						
Launch Vehicle Demonstration	-	-	-	48.0	-	48.0
Global Hawk	-	-	-	25.0	-	25.0
Miniature Munitions	-	-	-	20.0	-	20.0
Joint Experimentation	-	-	-	-	15.0	15.0
V-22 Aircraft	-	<u>80.0</u>	-	-	-	<u>80.0</u>
Total Category 5	-	80.0	-	93.0	15.0	188.0
<u>Category 6: Other</u>						
Classified Program	<u>3.0</u>	<u>36.4</u>	-	<u>216.6</u>	<u>111.2</u>	<u>367.2</u>
Total Category 6	3.0	36.4	-	216.6	111.2	367.2
Total Requirements	971.4	1,433.5	136.0	1,758.9	1,848.4	6,148.2
<u>Reductions</u>						
V-22 Reduction	-	-235.0	-	-240.0	-	-475.0
B-52 Reduction	-	-	-	<u>-30.0</u>	-	<u>-30.0</u>
Total Reductions	-	-235.0	-	-270.0	-	-505.0
Total Supplemental Request (new BA)	971.4	1,198.5	136.0	1,488.9	1,848.4	5,643.2

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**Summary of Requirements By Appropriation Title
(Dollars in Millions)**

	<u>Active</u>	<u>Reserve</u>	<u>National Guard</u>	<u>Other</u>	<u>Total</u>
<u>Title I - Military Personnel</u>					
Legislated Pay	<u>101.0</u>	<u>6.0</u>	<u>9.0</u>	-	<u>116.0</u>
Army	33.0	4.0	6.0	-	43.0
Navy	30.0	-	-	-	30.0
Marine Corps	10.0	-	-	-	10.0
Air Force	28.0	2.0	3.0	-	33.0
Housing Survey Results	<u>195.0</u>	<u>6.0</u>	<u>9.0</u>	-	<u>210.0</u>
Army	78.0	6.0	-	-	84.0
Navy	13.0	-	-	-	13.0
Marine Corps	45.0	-	-	-	45.0
Air Force	59.0	-	9.0	-	68.0
Army Subsistence	<u>28.0</u>	-	-	-	<u>28.0</u>
Army	28.0	-	-	-	28.0
Army Reserve Training	-	<u>42.0</u>	-	-	<u>42.0</u>
Army	-	42.0	-	-	42.0
Navy Officer Pay Table Reform	<u>28.0</u>	-	-	-	<u>28.0</u>
Navy	28.0	-	-	-	28.0
Permanent Change of Station Moves	<u>58.0</u>	-	-	-	<u>58.0</u>
Army	25.0	-	-	-	25.0
Navy	13.0	-	-	-	13.0
Marine Corps	14.0	-	-	-	14.0
Air Force	6.0	-	-	-	6.0
Recruiting and Retention	33.0	-	-	-	33.0
Air Force	33.0	-	-	-	33.0
<u>Total Title I</u>	<u>443.0</u>	<u>54.0</u>	<u>18.0</u>	<u>-</u>	<u>515.0</u>
Army	164.0	52.0	6.0	-	222.0
Navy	84.0	-	-	-	84.0
Marine Corps	69.0	-	-	-	69.0
Air Force	126.0	2.0	12.0	-	140.0

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	<u>Active</u>	<u>Reserve</u>	<u>National Guard</u>	<u>Other</u>	<u>Total</u>
<u>Title II - Operation and Maintenance</u>					
Flying Hour Costs	843.0	14.0	93.0	20.0	970.0
Navy	425.0	-	-	-	425.0
Air Force	418.0	14.0	93.0	-	525.0
Defense-Wide (USSOCOM)	-	-	-	20.0	20.0
FOCUSED RELIEF	21.5	-	-	14.5	36.0
Army	10.7	-	-	-	10.7
Navy	7.0	-	-	-	7.0
Air Force	3.8	-	-	-	3.8
Defense-Wide (USSOCOM)	-	-	-	14.5	14.5
Base Operations	390.0	14.0	10.0	-	414.0
Army	300.0	7.0	10.0	-	317.0
Navy	83.0	7.0	-	-	90.0
Air Force	7.0	-	-	-	7.0
Second Destination Transportation	62.0	-	-	-	62.0
Army	62.0	-	-	-	62.0
Force Protection	33.0	-	-	-	33.0
Navy	22.0	-	-	-	22.0
Marine Corps	11.0	-	-	-	11.0
Contractor Logistics Support	63.0	-	-	-	63.0
Air Force	63.0	-	-	-	63.0
Joint Exercises	11.0	-	-	-	11.0
Air Force	11.0	-	-	-	11.0
EHIME MARU	36.0	-	-	-	36.0
Navy	36.0	-	-	-	36.0
Army Reserves Contingency Operations	-	-	-	32.0	32.0
OCOTF	-	-	-	32.0	32.0

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(Dollars in Millions)**

	<u>Active</u>	<u>Reserve</u>	<u>National Guard</u>	<u>Other</u>	<u>Total</u>
Utilities	384.0	26.9	30.2	23.9	465.0
Army	172.8	13.5	13.9	-	200.2
Navy	37.0	5.5	-	-	42.5
Marine Corps	38.0	1.9	-	-	39.9
Air Force	136.2	6.0	16.3	-	158.5
Defense-Wide	-	-	-	23.9	23.9
California Electrical Demand Reduction	24.5	=	=	=	24.5
Army	.3	-	-	-	.3
Navy	14.0	-	-	-	14.0
Marine Corps	5.4	-	-	-	5.4
Air Force	4.8	-	-	-	4.8
Real Property Maintenance	167.0	-	19.0	-	186.0
Army	107.0	-	19.0	-	126.0
Navy	44.0	-	-	-	44.0
Air Force	16.0	-	-	-	16.0
Depot Maintenance (Aircraft & Ship)	452.0	14.0	10.0	-	476.0
Navy	277.0	-	-	-	277.0
Air Force	175.0	14.0	10.0	-	199.0
U.S.S. Cole Repair	44.0	=	=	=	44.0
Navy	44.0	-	-	-	44.0
Classified Program	29.8	-	-	35.4	65.2
Army	3.0	-	-	-	3.0
Navy	8.4	-	-	-	8.4
Air Force	18.4	-	-	-	18.4
Defense-Wide	-	-	-	35.4	35.4
Total Title II	2,560.8	68.9	162.2	125.8	2,917.7
Army	655.8	20.5	42.9	-	719.2
Navy*	997.4	12.5	-	-	1,009.9
Marine Corps	54.4	1.9	-	-	56.3
Air Force	853.2	34.0	119.3	-	1,006.5
Defense-wide	-	-	-	93.8	93.8
OCOTF	-	-	-	32.0	32.0

* Includes O&M, Navy funding of \$44.0 million for U.S.S. Cole repairs, which is available until expended, and \$953.4 million, which is only available in FY 2001 .

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(Dollars in Millions)**

	<u>Active</u>	<u>Reserve</u>	<u>National Guard</u>	<u>Other</u>	<u>Total</u>
<u>Title III – Procurement</u>					
Training Munitions	<u>73.0</u>	-	-	-	<u>73.0</u>
Air Force (Procurement of Ammo, AF)	73.0	-	-	-	73.0
C-17 Overhead Costs	<u>49.0</u>	-	-	-	<u>49.0</u>
Air Force (Aircraft Procurement, AF)	49.0	-	-	-	49.0
Cost Growth on Ships under Contract	<u>222.0</u>	-	-	-	<u>222.0</u>
Navy (Shipbuilding & Conversion, Navy)	222.0	-	-	-	222.0
California Electrical Demand Reduction	<u>4.2</u>	-	-	-	<u>4.2</u>
Army (Other Procurement, Army)	3.0	-	-	-	3.0
Air Force (Other Procurement, AF)	1.2	-	-	-	1.2
Classified Program	<u>196.7</u>	-	-	<u>5.8</u>	<u>202.5</u>
Air Force (Aircraft Procurement, AF)	35.0	-	-	-	35.0
Air Force (Other Procurement, AF)	161.7	-	-	-	161.7
Defense-Wide (Procurement, D-W)	-	-	-	5.8	5.8
<u>Total Title III</u>	<u>544.9</u>	<u>:-</u>	<u>:-</u>	<u>5.8</u>	<u>550.7</u>
Army	3.0	-	-	-	3.0
Navy	222.0	-	-	-	222.0
Air Force	319.9	-	-	-	319.9
Defense-Wide	-	-	-	5.8	5.8

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	<u>Active</u>	<u>Reserve</u>	<u>National Guard</u>	<u>Other</u>	<u>Total</u>
<u>Title IV – Research, Development, Test and Evaluation</u>					
Airborne Laser	<u>153.0</u>	-	-	-	<u>153.0</u>
Air Force	153.0	-	-	-	153.0
Launch Vehicle Demonstration	<u>48.0</u>	-	-	-	<u>48.0</u>
Air Force	48.0	-	-	-	48.0
Global Hawk	<u>25.0</u>	-	-	-	<u>25.0</u>
Air Force	25.0	-	-	-	25.0
Miniature Munitions	<u>20.0</u>	-	-	-	<u>20.0</u>
Air Force	20.0	-	-	-	20.0
Joint Experimentation	-	-	-	<u>15.0</u>	<u>15.0</u>
Defense-Wide	-	-	-	15.0	15.0
V-22 Aircraft	<u>80.0</u>	-	-	-	<u>80.0</u>
Navy	80.0	-	-	-	80.0
Classified Programs	<u>29.5</u>	-	-	<u>70.0</u>	<u>99.5</u>
Navy	28.0	-	-	-	28.0
Air Force	1.5	-	-	-	1.5
Defense-Wide	-	-	-	70.0	70.0
<u>Total Title IV</u>	<u>355.5</u>	<u>-</u>	<u>-</u>	<u>85.0</u>	<u>440.5</u>
Navy	108.0	-	-	-	108.0
Air Force	247.5	-	-	-	247.5
Defense-Wide	-	-	-	85.0	85.0

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	<u>Active</u>	<u>Reserve</u>	<u>National Guard</u>	<u>Other</u>	<u>Total</u>
<u>Title V – Defense Working Capital Fund (DWCF)</u>					
Utilities	-	-	-	178.4	178.4
DWCF	-	-	-	178.4	178.4
<u>Total Title V</u>	-	-	-	<u>178.4</u>	<u>178.4</u>
DWCF	-	-	-	178.4	178.4
 <u>Title VI – Other Department of Defense Programs</u>					
Health Care	-	-	-	1,427.0	1,427.0
Defense Health Program	-	-	-	1,427.0	1,427.0
Utilities	-	-	-	26.4	26.4
Defense Health Program	-	-	-	26.4	26.4
<u>Total Title VI</u>	-	-	-	<u>1,453.4</u>	<u>1,453.4</u>
Defense Health Program	-	-	-	1,453.4	1,453.4
 <u>Military Construction, Family Housing and Base Realignment and Closure (BRAC)</u>					
Utilities	64.2	-	-	-	64.2
Army (Family Housing)	27.2	-	-	-	27.2
Navy (Family Housing)	9.6	-	-	-	9.6
Marine Corps (Family Housing)	10.7	-	-	-	10.7
Air Force (Family Housing)	16.7	-	-	-	16.7
California Electrical Demand Reduction	1.3	-	-	-	1.3
Air Force (Family Housing)	1.3	-	-	-	1.3
Oman Runway Repair	18.0	-	-	-	18.0
Air Force (Military Construction)	18.0	-	-	-	18.0
BRAC Environmental	9.0	-	-	-	9.0
Air Force (BRAC)	9.0	-	-	-	9.0

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(Dollars in Millions)**

	<u>Active</u>	<u>Reserve</u>	<u>National Guard</u>	<u>Other</u>	<u>Total</u>
<u>Total Military Construction, Family Housing and Base Realignment and Closure (BRAC)</u>					
	<u>92.5</u>	-	-	-	<u>92.5</u>
Army	27.2	-	-	-	27.2
Navy	9.6	-	-	-	9.6
Marine Corps	10.7	-	-	-	10.7
Air Force	45.0	-	-	-	45.0
<u>Total DoD Supplemental Request</u>	<u>3,996.7</u>	<u>122.9</u>	<u>180.2</u>	<u>1,848.4</u>	<u>6,148.2</u>
Army	850.0	72.5	48.9	-	971.4
Navy	1,421.0	12.5	-	-	1,433.5
Marine Corps	134.1	1.9	-	-	136.0
Air Force	1,591.6	36.0	131.3	-	1,758.9
Defense-Wide	-	-	-	184.6	184.6
OCOTF	-	-	-	32.0	32.0
Defense Health Program	-	-	-	1,453.4	1,453.4
Defense Working Capital Fund	-	-	-	178.4	178.4
<u>DoD Financing</u>					<u>-505.0</u>
Reduction - Aircraft Procurement, Navy (V-22)					-235.0
Reduction - Aircraft Procurement Air Force (V-22, \$-240.0 million; B-52, \$-30.0 million)					-270.0
Total New Budget Authority Request for DoD					5,643.2

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Detailed Justification

<u>Defense Health Program</u>	Dollars in Millions <u>+1,427.0</u>
Operation and Maintenance, Defense Health Program	+1,427.0

Additional funding is necessary to keep America's promise to provide health care for military personnel, retirees, and their families. Advances in medicine and expanded health care benefits have combined to increase the cost of health care delivery to eligible active duty and retired military personnel and their families by about 12 percent. Specific costs included are attributable to the following elements of health care:

- Medical Treatment Facilities (MTFs) have experienced increased costs for delivery of healthcare and locally contracted medical care. (\$+151.2 million).
- Managed Care Support Contractors and the Department of Defense (DoD) have reached a settlement agreement for contract change orders, claims, terms of contracts, and changes in workload resulting in significant increases in costs, including costs attributed to Coast Guard beneficiary (\$+655.0 million).
- Other Private Sector Care (OPSC) has increases in the cost of the mail order pharmacy program and contracted care for active duty personnel outside the MTFs (\$+131.3 million).
- Newly legislated benefits for FY 2001 include full medical coverage regardless of duty assignment, lower out-of-pocket costs for co-payments, catastrophic treatment and related travel expenses, chiropractic care for active duty members, physical exams for school aged children, and the pharmacy benefit for Medicare-eligible military retirees and dependents (\$+489.5 million).

<u>Legislated Military Pay Entitlements</u>	Dollars in Millions <u>+116.0</u>
Military Personnel, Army	+33.0
Military Personnel, Navy	+30.0
Military Personnel, Marine Corps	+10.0
Military Personnel, Air Force	+28.0
Reserve Personnel, Army	+4.0
Reserve Personnel, Air Force	+2.0
National Guard Personnel, Army	+6.0
National Guard Personnel, Air Force	+3.0

Additional funds are required to finance the costs for several new entitlements for military personnel included in the FY 2001 National Defense Authorization Act (Public Law 106-398) for which no funds were appropriated. These authorized improvements in pay include the following:

- Additional pay raise for E-5 through E-7 personnel effective July 1, 2001 (\$+93.7 million)
- Increased Basic Allowance for Housing (BAH) rates for E-1s to E-4s with dependents (\$+14.0 million)

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- Increased special pay for reserve medical and dental officers (\$+5.3 million)
- Increased dislocation allowance for E-1s to E-4s to set their rate at the same rate as for E-5s (\$+3.0 million).

The Department must pay these costs by law; therefore, if funding is not provided for these entitlements, the Services will be required to constrain permanent change of station moves, reduce accessions, and reduce funding for discretionary items (e.g., reenlistment and enlistment bonuses). This course of action would cause serious morale problems and have long-term implications for management of the military force.

<u>Housing Survey Results</u>	Dollars in Millions
	<u>+210.0</u>
Military Personnel, Army	+78.0
Military Personnel, Navy	+13.0
Military Personnel, Marine Corps	+45.0
Military Personnel, Air Force	+59.0
Reserve Personnel, Army	+6.0
National Guard Personnel, Air Force	+9.0

Additional funding is required to finance the increased costs resulting from a significant improvement in the survey methodology for determining housing costs within military housing areas. The improved process ensures that rental, utility, and insurance costs are obtained from neighborhoods deemed appropriate for military members and their families. This is a significant improvement from the prior method of extracting information based completely on zip codes irrespective of the safety and the quality of the housing provided in those areas. Without this additional funding, the Services will be required to realign funding from the permanent change of station program, enlistment bonuses, or reenlistment bonuses, or they may reduce accessions. These actions would be detrimental to morale and are short-sighted. Funding in the appropriations is constrained because recruiting and retention has been better than anticipated.

<u>Army Subsistence</u>	Dollars in Millions
	<u>+28.0</u>
Military Personnel, Army	+28.0

Additional funds are required because food costs are higher than anticipated and because the requirement to provide operational rations in the field during operations is greater than projected. The Army has made significant improvements in recruiting and retention of soldiers; therefore, the higher than expected average strength level has limited the ability of the appropriation to absorb any increased funding requirements. Without additional funding, the Army may be required to cancel planned permanent change of station moves to the detriment of morale, or may need to realign funding from other programs, causing instability and degradation to readiness.

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	Dollars in Millions
Army Reserve Training	+42.0
Reserve Personnel, Army	+42.0

Additional funding supports increased inactive duty training (IDT) costs, increases in entitlements included in the FY 2001 National Defense Authorization Act (Public Law 106-378), permanent change of station (PCS), and full-time support (FTS). The IDT costs are related to enhanced unit mission training as well as individual training with active Army components to satisfy Active/Reserve integration requirements. Participation in IDT has been higher than anticipated and the cost for drills are higher than originally budgeted because more mid- and senior grade personnel are participating in IDTs than programmed. The additional PCS and FTS costs are attributed to an increased number of mandatory retirements, their replacements, and the accession of additional FTS personnel. Without these additional funds, the Army Reserve may have to cancel some training events scheduled for the last quarter of the year.

	Dollars in Millions
Navy Officer Pay Table Reform	+28.0
Military Personnel, Navy	+28.0

The Navy requires additional funds to fully finance the FY 2001 cost of the Officer Pay Table Reform that the Congress enacted and approved for implementation in July 2000. Estimates for the cost of pay table reform were originally developed in December 1998. The Navy's strength by pay grade is not static and has changed significantly since cost estimates were first developed. A review of FY 2001 execution to date shows higher rates than expected as a result of pay table reform. Due to other factors, such as end strength overexecution due to better than expected retention and increased pay and allowance costs authorized by Congress, there is no flexibility within the account to realign funding to finance this congressionally mandated increased funding requirement.

	Dollars in Millions
Increased Cost of Permanent Change of Station Moves	+58.0
Military Personnel, Army	+25.0
Military Personnel, Navy	+13.0
Military Personnel, Marine Corps	+14.0
Military Personnel, Air Force	+6.0

Additional funds are required to finance the increased cost for Permanent Change of Station Moves due to the implementation of pilot programs for the shipment of household goods, including the Full Service Moving Project (FSMP) pilot program that began in January 2001. The pilot programs provided DoD military members and their families with moving services for their household goods that are on par with those provided for corporate relocations. They have features that will improve the quality-of-life for military members. If funding is not provided for this purpose, the Services may discontinue their participation in the pilots, and the Department will be unable to evaluate the effectiveness of the program. Funding is required to pay for costs already incurred under the pilot programs.

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	Dollars in Millions
Improved Recruiting and Retention	+33.0
Military Personnel, Air Force	+33.0

Additional funding is necessary to support emergent requirements to attain accession goals and to fund enlistment and retention bonuses essential to improving readiness in critical occupational skills. In this challenging recruiting environment, the Air Force has had difficulty attracting and retaining skilled personnel. If funding is not provided, the Air Force will be unable to combat adverse accession and retention trends, which will degrade overall readiness, mission performance, and morale.

	Dollars in Millions
Flying Hours	+970.0
Operation and Maintenance, Navy	+425.0
Operation and Maintenance, Air Force	+418.0
Operation and Maintenance, Air Force Reserve	+14.0
Operation and Maintenance, Air National Guard	+93.0
Operation and Maintenance, Defense Wide (USSOCOM)	+20.0

Additional funds are required in order to fully fund the Components' flying hour programs so that they can meet their training commitments. The Navy, Air Force, and United States Special Operations Command (USSOCOM) experienced significant increases in costs during the execution of their approved FY 2000 flying hour program. Continued operating tempo and increasing demands associated with supporting an aging fleet drove these increases in costs. (The average of aircraft for the Air Force is 22 years and 18 years for the Navy.) Without these additional resources, the Components will not be able to achieve their readiness goals. Frequent and realistic training is essential to keeping DoD pilots and air crews at the peak of mission readiness. These additional resources will maintain the pilot proficiency necessary to respond to any emerging crisis.

	Dollars in Millions
FOCUSED RELIEF	+36.0
Operation and Maintenance, Army	+10.7
Operation and Maintenance, Navy	+7.0
Operation and Maintenance, Air Force	+3.8
Operation and Maintenance, Defense Wide (USSOCOM)	+14.5

Additional funds are required to fund costs that the DoD is incurring for its participation in the United States Government's effort in Sierra Leone. The United States has committed to providing emergency military assistance to the United Nations Mission in Sierra Leone (UNAMSIL) by training and equipping up to seven battalions of West African troops for deployment to Sierra Leone. The President has exercised his drawdown authority provided under section 506 (a) (1), as amended, of the Foreign Assistance Act of 1961. This authority allows the Departments of State and Defense to take the necessary steps to draw down defense articles from the stocks of the Department of Defense, as well as conduct military education and training, in order to provide immediate military assistance to the UNAMSIL and the countries involved in or affiliated with

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coalition operations related to Sierra Leone. As a result of this drawdown, the Components participating in this effort have incurred substantial unanticipated costs, including costs associated with the replacement of transferred equipment and transportation/airlift of several hundred U.S. military personnel and equipment to West Africa for the train and equip program. If funds are not provided, the USSOCOM, Army, Navy, and Air Force readiness/operations will be curtailed in the fourth quarter as a result of the use of this drawdown.

<u>Base Operations</u>	Dollars in Millions
	<u>+414.0</u>
Operation and Maintenance, Army	+300.0
Operation and Maintenance, Navy	+83.0
Operation and Maintenance, Air Force	+7.0
Operation and Maintenance, Army Reserve	+7.0
Operation and Maintenance, Navy Reserve	+7.0
Operation and Maintenance, Army National Guard	+10.0

Emerging requirements in other high priority operating programs caused the Army to divert funding temporarily from Base Operations Support (BOS) programs, resulting in a 7 percent funding reduction of BOS requirements. This funding increase in BOS is necessary to pay “must fund” bills and to reduce the risk of funds migrating from operating tempo (OPTEMPO) to BOS, thereby increasing the Army’s ability to meet its OPTEMPO goals. Because base operations directly support military personnel and their families, replacement of these funds is essential to maintaining morale, increasing retention, and improving readiness.

Additional funds are required by the Navy to relocate the Naval Ammunition Supply Depot from the western side of Vieques Island to the eastern side of the island as part of the land conveyance mandated by section 1502 of the FY 2001 National Defense Authorization Act (Public Law 106-398) (\$+10.0 million); to finance mandated information technology pay raises and locality pay raises (\$+15.0 million); to address strategic sourcing costs in Guam (\$+20.0 million); to finance NAVSEA building lease costs in Crystal City, VA associated with the delayed move to NAVSEA’s Navy Yard facilities (\$+28.0 million); and to support other miscellaneous base support contract increases (\$+10.0 million). Additional funds are required by the Navy Reserve to support continued operation of Naval Reserve legacy systems due to the slippage of Navy Standard Integrated Personnel System (NSIPS) implementation (\$+7.0 million). Without fiscal relief, the Navy will be required to divert operational readiness funds to address these “must fund” bills. Additionally, operation of legacy personnel systems will impact permanent change of station processing and payment of salaries.

Additional funds are required for the Air Force to fully fund the BOS costs for the recently transferred Special Operations Forces (SOF) unit in Taegu, Korea. The Air Force was assigned responsibility for providing the necessary BOS for the USSOCOM MH-47E unit based in Taegu. Recent reviews of the Taegu beddown have revealed that the BOS requirements are more costly than originally budgeted. The increased requirements results in part, because of additional military security personnel, increased operation and maintenance-funded contracts, and less Host Nation Support than was originally assumed.

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	Dollars in Millions
<u>Second Destination Transportation</u>	<u>+62.0</u>
Operation and Maintenance, Army	+62.0

Additional funds are needed to finance the movement of essential material among Army facilities in order to provide critical support to people, readiness, and transformation of the Army. Most crucial is the transportation of Army Post Office mail, movement of Army and Air Force Exchange System merchandise, and transportation of equipment for modernization, depot maintenance, or redistribution. Without these additional funds, the risk of funding migration from OPTEMPO to the Second Destination Transportation program to fund critical transportation requirements will be increased, thereby reducing the Army's ability to meet its OPTEMPO goals.

	Dollars in Millions
<u>Force Protection</u>	<u>+33.0</u>
Operation and Maintenance, Navy	+22.0
Operation and Maintenance, Marine Corps	+11.0

These additional funds address emergent antiterrorism and force protection requirements and will substantially mitigate recently recognized force protection vulnerabilities. The attack on the U.S.S. COLE triggered DoD to conduct comprehensive reassessments of its antiterrorism and force protection posture. These critical reviews revealed vulnerabilities in gaps and seams exploited in the attack on the U.S.S. COLE as well as other areas that had not been recognized previously. High priority requirements include waterside and electronic security systems, physical security, personnel alerting systems, purchase of harbor patrol boats, detection equipment, training for chemical battalion platoons, and storage facilities. These are essential requirements. With this funding, the Department of Navy will be able to reduce identified gaps and seam vulnerabilities and increase its ability to guard against, deter, and respond to terrorist incidents.

	Dollars in Millions
<u>Contractor Logistics Support</u>	<u>+63.0</u>
Operation and Maintenance, Air Force	+63.0

Additional funding is required to pay for contractor logistics support (CLS) requirements that were not anticipated in the FY 2001 President's Budget. These requirements include CLS support for:

- E-3 AWACS compliance with Federal Aviation Administration Directives and with recently issued aging aircraft service bulletins (\$+4.3 million),
- KC-10 accelerated engine inspections and repairs (\$+4.4 million),
- E-8 JSTARS wing structural integrity program. (\$+4.2 million)
- U-2 increased flight operations due to new CINC requirements resulting in cost increases for operations, ground support, wet film, and engineering support (\$+17.9 million),
- C-9, C-12, and C-21 increased operating costs (\$+7.7 million), and

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- C-37A and C-40 operating costs because no funding was included in the FY 2001 President's Budget request for these congressionally added aircraft (\$+24.5 million).

Without these additional funds, the Air Force will not be able to fix safety problems and ongoing maintenance requirements of the aging aircraft, to support increased OPTEMPO, and to support new aircraft. The result will be a reduction in mission capable rates that will curtail aircraft available for training. Crew skills would deteriorate, and the Air Force would not be able to support deployments and joint exercises.

	Dollars in Millions
<u>Training Munitions</u>	<u>+73.0</u>
Procurement of Ammunition, Air Force	+73.0

Funding will be used to purchase various training munitions (such as rockets, flares, practice rounds) to alleviate predicted shortfalls and prevent pilot decertification. The munitions are required to ensure pilots meet the training standards established by the Ready Aircrew Program (RAP) to maintain certification.

	Dollars in Millions
<u>Joint Exercises</u>	<u>+11.0</u>
Operation and Maintenance, Air Force	+11.0

Additional funding is required for the Chairman of the Joint Chiefs of Staff (CJCS) Exercise Program (CEP), which provides a vehicle for the Department to assess the military's ability to satisfy joint national security requirements and to enhance and evaluate interoperability between the Services, as well as exercise Service-unique deployment and redeployment skills. The FY 2001 DoD Appropriations Act reduced the Services' request for the CJCS Exercise program but did not reduce the Joint Staff's funding level, thereby creating an imbalance in the program. To maximize the execution of the FY 2001 program, the Components were directed to finance their FY 2001 participation in the CEP. Additional funding enables the Air Force to participate in the CEP as a full partner. Without these additional funds, joint training will be degraded and the capability of the Air Force to participate in joint deployments will decline.

	Dollars in Millions
<u>EHIME MARU</u>	<u>+36.0</u>
Operation and Maintenance, Navy	+36.0

The U.S.S. Greenville struck the 180-foot EHIME MARU, which is a fisheries ship that was ferrying 13 high school students on a training project near Hawaii on February 9, 2001. Nine people -- including four 17-year-old high school students were killed. The EHIME MARU weighs in excess of 750 tons and currently sits upright 2,033 feet beneath the surface. To recover the bodies of the victims, the Navy must relocate the vessel to shallower waters. Once the bodies are recovered, the vessel will be moved into deeper water and scuttled. The cost of relocating the EHIME MARU to shallower waters, recovering the bodies of the victims, and then scuttling the ship is \$36 million. A commercial lift support vessel has been

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placed on retainer to ensure the availability of equipment if the operation is authorized. Because of the potential for environmental damage, an environmental assessment and public response period is required before this proposed operation can be conducted. In furtherance of U.S.-Japan relations, these funds are required for the U.S. Government to follow through on plans to recover the remains and personal assets of those crew members and students killed in the U.S.S. Greenville-Ehime Maru accident

	Dollars in Millions
Army Reserve Contingency Operations - Reserve Component Activation	+32.0
Overseas Contingency Operations Transfer Fund	+32.0

In consonance with further incorporating the Reserve Components under the total force concept, the Army is increasing its reliance on the Reserve Components to provide additional troops for contingency operations in Bosnia, Kosovo, and Southwest Asia. This helps reduce the personnel tempo for the Active Component while making the Reserve Components role more visible. The Army Reserve Component manpower supporting contingency operations will increase from the projected level of 2,336 troops to 3,524 troops, an increase of 1,188. The total increased incremental costs related to this effort is \$32.0 million, which reflects the fact that all base pay and allowances of the Reserve Component activation are “incremental” as these costs would not be incurred if not for participation in the contingency operations. Without these additional resources, Army would be required to finance the \$32.0 million further stressing their underfunded personnel and readiness accounts.

	Dollars in Millions
C-17 Overhead Costs	+49.0
Aircraft Procurement, Air Force	+49.0

Funds are required to pay for the negotiated settlement of a request for equitable adjustment from Boeing resulting from an H-022 economic re-opener clause on the C-17 contract. The negotiated settlement includes an Air Force payment of \$150 million to be paid across fiscal years 1998-2000 and a \$49 million negotiated buyout of any remaining H-022 type clauses for Lots 13-15.

	Dollars in Millions
Airborne Laser	+153.0
Research, Development, Test and Evaluation, Air Force	+153.0

Funds will be used to meet Airborne Laser funding requirements and to substantially decrease risk to maintain lethal demonstration planned for FY 2003. Failure to provide these funds will create a stop work situation.

	Dollars in Millions
Cost Growth on Ships under Contract	+222.0
Shipbuilding and Conversion, Navy	+222.0

Additional funds are required to finance cost increases in shipbuilding programs begun in FY 2000 and prior. The cost increases are due to unanticipated cost increases resulting from strike settlements, increased labor

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rates, change orders, equipment procurements, and engineering design difficulties. The \$222 million is required to prevent work stoppages in FY 2001. Additional funds will be required in future years for the balance of the cost increases. The \$222 million is distributed as follows: \$32 million for Virginia Class (SSN-774), \$41 million for Arleigh Burke Class (DDG-51), \$84 million for Nimitz Class (CVN-68), and \$65 million for San Antonio Class (LPD-17).

	Dollars in Millions
<u>Utilities - Natural Gas/Electricity Growth</u>	<u>+734.0</u>
Operation and Maintenance, Army	+172.8
Operation and Maintenance, Army Reserve	+13.5
Operation and Maintenance, Army National Guard	+13.9
Operation and Maintenance, Navy	+37.0
Operation and Maintenance, Navy Reserve	+5.5
Operation and Maintenance, Marine Corps	+38.0
Operation and Maintenance, Marine Corps Reserve	+1.9
Operation and Maintenance, Air Force	+136.2
Operation and Maintenance, Air Force Reserve	+6.0
Operation and Maintenance, Air National Guard	+16.3
Operation and Maintenance, Defense-Wide	+23.9
Family Housing Operations, Army	+27.2
Family Housing Operations, Navy and Marine Corps	+20.3
Family Housing Operations, Air Force	+16.7
Defense Working Capital Fund	+178.4
Defense Health Program	+26.4

Additional funds are required to finance significant increases in the cost of base level utilities due to the recent rate increases for natural gas and electricity. The Components are experiencing significant cost increases in the price of electricity and natural gas during FY 2001. Electricity has increased by an estimated 10 percent and natural gas by 158 percent. If additional funds are not provided, the Components will have to reduce other critical programs (i.e., OPTEMPO) to fund these “must pay” bills.

	Dollars in Millions
<u>California Electrical Demand Reduction</u>	<u>+30.0</u>
Operation and Maintenance, Army	+0.3
Operation and Maintenance, Navy	+14.0
Operation and Maintenance, Marine Corps	+5.4
Operation and Maintenance, Air Force	+4.8
Other Procurement, Army	+3.0
Other Procurement, Air Force	+1.2
Family Housing Operations, Air Force	+1.3

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The Department has embarked on a demand reduction program to assist the state of California in its effort to ease its energy crisis. The Department intends to reduce its peak demand by 15 percent by yearend. These additional funds will avoid diversion of readiness and training funds to meet this need.

	Dollars in Millions
<u>Oman Runway Repair</u>	<u>+18.0</u>
Military Construction, Air Force	+18.0

The United States Government recently completed negotiations with the Government of Oman on the United States-Oman Access Agreement. Under the agreement, the United States will use the Omani Masirah Island Airfield. However, this airfield requires significant upgrades to the airfield pavement including runways and taxiways and improvements in airfield drainage and in airfield lighting before the United States can safely use the airfield. The CINCCENT has determined that this airfield is vital to U.S. national security interests and is an integral component of DoD's power projection capabilities in the region. The damaged airfield presents operational hazards to U.S. aircraft because aircraft engines can suck in surface debris from loose pavement thus damaging the engines and requiring costly repairs. In addition, the poor drainage and insufficient lighting impairs the ability of U.S. aircraft to land safely.

	Dollars in Millions
<u>Air Force BRAC</u>	<u>+9.0</u>
Base Realignment and Closure Account (BRAC)	+9.0

Additional funds are required to pay for critical environmental shortfalls (cleanup systems, operating systems, site monitoring, etc.) The additional funds would maintain the Air Force commitment to legal agreements with communities and regulators to meet reuse and property transfers. The cleanup effort will reduce known risks to human health and to the environment, avoid legal action, allow the Air Force to continue to meet its responsibilities. Failure to fund the increase will preclude timely cleanup of affected areas, delay reuse and property transfers as agreed with communities, and place the Air Force at risk for failing to comply with environmental cleanup laws and regulations.

	Dollars in Millions
<u>Real Property Maintenance (RPM)</u>	<u>+186.0</u>
Operation and Maintenance, Army	+107.0
Operation and Maintenance, Army National Guard	+19.0
Operation and Maintenance, Navy	+44.0
Operation and Maintenance, Air Force	+16.0

Increased funding reduces the current backlog of maintenance and repair at DoD facilities. The increased RPM funding provides additional resource to fund non-emergent requirements such as repairs to buildings, warehouses, aprons, utility plants, and distribution systems. While these additional RPM funds will not satisfy the full sustainment requirement for the year, they will satisfy the most pressing requirements without having to divert scarce funds from readiness efforts. This will help to correct the current status that requires many

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installations to suspend preventive maintenance operations and conduct repairs only on an emergency basis due to lack of funds.

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	Dollars in Millions
<u>Aircraft Depot Maintenance</u>	<u>+276.0</u>
Operation and Maintenance, Navy	+77.0
Operation and Maintenance, Air Force	+175.0
Operation and Maintenance, Air Force Reserve	+14.0
Operation and Maintenance, Air National Guard	+10.0

Additional funds are required to recover cost increases in depot labor, materials, and overhead. Aging depot equipment, aging aircraft, and increased demands for aircraft availability have increased the time that aircraft and engines spend in the depots thus increasing the cost of the repairs. Since the average age of the aircraft is increasing (18 years for the Navy and 22 years for the Air Force), there are longer down times for repairs and more unscheduled maintenance for both airframes and engines. Additionally, the cost of naval depot level repairs of various aeronautical components through Contractor Logistics Support is higher than anticipated. Without adequate funding for aircraft maintenance in FY 2001, the Navy and Air Force would reduce and defer aircraft and engine repair and overhauls at the depots. The slowdown would decrease mission capable rates and impair the Services' ability to execute the flying hour program, thus reducing readiness and crew skill levels.

	Dollars in Millions
<u>Ship Depot Maintenance</u>	<u>+200.0</u>
Operation and Maintenance, Navy	+200.0

These additional funds are required to finance ship depot maintenance requirements and to accommodate cost growth associated with: expanded scope of shipyard availabilities (i.e., U.S.S. SAIPAN, U.S.S. NASSAU, and U.S.S. BELLEAU WOOD); increased private yard manday rates at Puget Sound, Newport News, San Diego; and higher than anticipated costs for various maintenance items (e.g., catapult cover repairs and sonar dome rubber windows). Without these funds, shipyard availabilities will be descoped and cancelled, and maintenance requirements will be deferred to FY 2002 or beyond, thus affecting deployment schedules. Additionally, loss of work at private yards will cause layoffs, and public yard losses may increase future rates.

	Dollars in Millions
<u>U.S.S. Cole Repair</u>	<u>+44.0</u>
Operation and Maintenance, Navy (available until expended)	+44.0

Additional funds are required to complete repairs on the U.S.S. COLE and to replace/refurbish damaged combat and weapons systems. Of this amount, \$7 million is required to restore to the Navy the costs incurred to stabilize the vessel after the terrorist attack and to transport it, atop of the Merchant Vessel (M/V) Blue Marlin, from the Gulf of Aden to its docking availability in Pascagoula, MS. The total cost to return the U.S.S. COLE to operational status is \$250 million -- \$150 million was previously appropriated in Public Law 106-554. The additional requirements, \$56 million, will be addressed in FY 2002. However, without these funds available in FY 2001, the U.S.S. COLE cannot be brought back into service until after FY 2002.

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<u>Launch Vehicle Demonstration</u>	Dollars in Millions
Research, Development, Test and Evaluation, Air Force	<u>+48.0</u> +48.0

The FY 2000 Omnibus Reprogramming approved a new start effort for a Heavy Lift Demonstration Launch for the Evolved Expandable Launch Vehicle (EELV) program. This demonstration is essential to prove out launch vehicle operation before using with billion dollar payloads. The total cost of this effort is \$141.0 million from FY 2000 to FY 2003. The FY 2002 and 2003 portions, \$53.0 million and \$28.0 million, respectively, will be included in the FY 2002 President's Budget submission.

<u>Global Hawk</u>	Dollars in Millions
Research, Development, Test and Evaluation, Air Force	<u>+25.0</u> +25.0

These funds enable the acceleration of the Block 10 spiral development of the Global Hawk unmanned aerial vehicle to include communication system open architecture capabilities, power upgrades, survivability suite, and other endurance improvements.

<u>Miniature Munitions</u>	Dollars in Millions
Research, Development, Test and Evaluation, Air Force	<u>+20.0</u> +20.0

Funding will accelerate the development of a 250 pound precision guided munition. This munition is envisioned to have approximately 40 miles of standoff capability and would increase the weapons loadout on fighter and bomber aircraft.

<u>Joint Experimentation</u>	Dollars in Millions
Research, Development, Test and Evaluation, Defense-Wide	<u>+15.0</u> +15.0

The Statement of Managers accompanying the FY 2001 National Defense Authorization Act (P.L. 106-398) directed the Department to carry out a joint field experiment in FY 2002 (Millennium Challenge 2002 (MC02)) and to ensure that the planning for this experiment is carried out in FY 2001. Because most of the activities involved with MC02 will be virtual or simulated activities, the FY 2001 emphasis is on identifying, gathering, and creating modeling and simulation databases. Until the next generation simulations (e.g., the Joint Simulation System (JSIMS) and the Joint Warfare System (JWARS)) are fielded, the conduct of joint experimentations will require the implementation of manual work-arounds and temporary linkages between dissimilar simulations. The most difficult shortcomings are in the areas of data structures and database compatibility, interfaces to command and control devices, sensors, and automated intelligent behaviors. These additional funds will support the following planning efforts: (1) Databases - Modeling and Simulation Joint/Service builds and Command, Command, Control, Computing and Intelligence (C4I) Joint/Service builds; (2) Interfaces - Modeling and Simulation linkages, Range linkages, and C4I Interfaces;

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(3) Enhancements - Modeling and Simulation for 2007 scenario and Emulated 2007 C4I/Common relevant operations picture; and (4) Communications Support.

	Dollars in Millions
<u>V-22 Aircraft</u>	<u>+80.0</u>
Research, Development, Test and Evaluation, Navy	+80.0

The Blue Ribbon Panel has recommended proceeding with a restructured V-22 program using a phased approach to return to flight and fleet introduction. These additional funds support initial redesign and testing efforts required to address deficiencies, logistics, flight test and flight test support for V-22 aircraft.

	Dollars in Millions
<u>Classified Programs</u>	<u>+367.2</u>
Operation and Maintenance, Army	+3.0
Operation and Maintenance, Navy	+8.4
Operation and Maintenance, Air Force	+18.4
Operation and Maintenance, Defense-Wide	+35.4
Aircraft Procurement, Air Force	+35.0
Other Procurement, Air Force	+161.7
Procurement, Defense-Wide	+5.8
Research Development, Test and Evaluation, Navy	+28.0
Research Development, Test and Evaluation, Air Force	+1.5
Research Development, Test and Evaluation, Defense-Wide	+70.0

Details are classified and will be provided separately.

	Dollars in Millions
<u>V-22 Reductions</u>	<u>-475.0</u>
Aircraft Procurement, Navy	-235.0
Aircraft Procurement, Air Force	-240.0

The Blue Ribbon Panel has recommended proceeding with a restructured V-22 program using a phased approach to return to flight and fleet introduction. Production of the V-22 aircraft will be maintained at a minimum rate while the aircraft design changes are being developed and tested. As a result of this program restructuring, the production program can be reduced by \$475 million.

	Dollars in Millions
<u>B-52 Reduction</u>	<u>-30.0</u>
Aircraft Procurement, Air Force	-30.0

These funds can be reduced from various B-52 modifications because they are in excess to the DoD's requirements.

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MILITARY PERSONNEL, ARMY

For an additional amount for “Military Personnel, Army,” \$164,000,000.

MILITARY PERSONNEL, NAVY

For an additional amount for “Military Personnel, Navy,” \$84,000,000.

MILITARY PERSONNEL, MARINE CORPS

For an additional amount for “Military Personnel, Marine Corps,” \$69,000,000.

MILITARY PERSONNEL, AIR FORCE

For an additional amount for “Military Personnel, Air Force,” \$126,000,000.

RESERVE PERSONNEL, ARMY

For an additional amount for “Reserve Personnel, Army,” \$52,000,000.

RESERVE PERSONNEL, AIR FORCE

For an additional amount for “Reserve Personnel, Air Force,” \$2,000,000.

NATIONAL GUARD PERSONNEL, ARMY

For an additional amount for “National Guard Personnel, Army,” \$6,000,000.

NATIONAL GUARD PERSONNEL, AIR FORCE

For an additional amount for “National Guard Personnel, Air Force,” \$12,000,000.

OPERATION AND MAINTENANCE, ARMY

For an additional amount for “Operation and Maintenance, Army,” \$655,800,000.

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OPERATION AND MAINTENANCE, NAVY

For an additional amount for “Operation and Maintenance, Navy,” \$953,400,000.

OPERATION AND MAINTENANCE, MARINE CORPS

For an additional amount for “Operation and Maintenance, Marine Corps,” \$54,400,000.

OPERATION AND MAINTENANCE, AIR FORCE

For an additional amount for “Operation and Maintenance, Air Force,” \$853,200,000.

OPERATION AND MAINTENANCE, DEFENSE-WIDE

For an additional amount for “Operation and Maintenance, Defense-wide,” \$93,800,000.

OPERATION AND MAINTENANCE, ARMY RESERVE

For an additional amount for “Operation and Maintenance, Army Reserve,” \$20,500,000.

OPERATION AND MAINTENANCE, NAVY RESERVE

For an additional amount for “Operation and Maintenance, Navy Reserve,” \$12,500,000.

OPERATION AND MAINTENANCE, MARINE CORPS RESERVE

For an additional amount for “Operation and Maintenance, Marine Corps Reserve,”
\$1,900,000.

OPERATION AND MAINTENANCE, AIR FORCE RESERVE

For an additional amount for “Operation and Maintenance, Air Force Reserve,” \$34,000,000.

OPERATION AND MAINTENANCE, ARMY NATIONAL GUARD

For an additional amount for “Operation and Maintenance, Army National Guard,”
\$42,900,000.

OPERATION AND MAINTENANCE, AIR NATIONAL GUARD

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For an additional amount for "Operation and Maintenance, Air National Guard," \$119,300,000.

OVERSEAS CONTINGENCY OPERATIONS TRANSFER FUND

For an additional amount for "Overseas Contingency Operations Transfer Fund," \$32,000,000, subject to the terms and conditions provided under this heading in P.L. 106-259.

OTHER PROCUREMENT, ARMY

For an additional amount for "Other Procurement, Army," \$3,000,000.

SHIPBUILDING AND CONVERSION, NAVY

For an additional amount for "Shipbuilding and Conversion, Navy," \$222,000,000, to remain available until September 30, 2001: Provided, That upon enactment of this Act, the Secretary of Defense shall transfer such funds to the following appropriations in the amount specified: Provided further, That the amounts transferred shall be available for the same purposes as the appropriations to which transferred:

To:

Under the heading, "Shipbuilding and Conversion, Navy, 1995/01":

Carrier Replacement Program, \$84,000,000;

Under the heading, "Shipbuilding and Conversion, Navy, 1996/01":

DDG-51 Destroyer Program, \$41,000,000;

LPD-17 Amphibious Transport Dock Ship Program, \$65,000,000;

Under the heading, "Shipbuilding and Conversion, Navy, 1998/01":

NSSN Program, \$32,000,000.

AIRCRAFT PROCUREMENT, AIR FORCE

For an additional amount for "Aircraft Procurement, Air Force," \$84,000,000.

PROCUREMENT OF AMMUNITION, AIR FORCE

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For an additional amount for “Procurement of Ammunition, Air Force,” \$73,000,000.

OTHER PROCUREMENT, AIR FORCE

For an additional amount for “Other Procurement, Air Force,” \$162,900,000.

PROCUREMENT, DEFENSE-WIDE

For an additional amount for “Procurement, Defense-wide,” \$5,800,000.

RESEARCH, DEVELOPMENT, TEST AND EVALUATION, NAVY

For an additional amount for “Research, Development, Test and Evaluation, Navy,”
\$108,000,000.

RESEARCH, DEVELOPMENT, TEST AND EVALUATION, AIR FORCE

For an additional amount for “Research, Development, Test and Evaluation, Air Force,”
\$247,500,000.

RESEARCH, DEVELOPMENT, TEST AND EVALUATION, DEFENSE-WIDE

For an additional amount for “Research, Development, Test and Evaluation, Defense-wide,”
\$85,000,000.

DEFENSE WORKING CAPITAL FUNDS

For an additional amount for “Defense Working Capital Funds,” \$178,400,000, to remain
available until expended.

DEFENSE HEALTH PROGRAM

For an additional amount for “Defense Health Program,” \$1,453,400,000 for Operation and
Maintenance: Provided, that such funds may be used to cover unanticipated increases in TRICARE
contract costs associated with the provision of health care services to eligible beneficiaries of all the
uniformed services.

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MILITARY CONSTRUCTION, AIR FORCE

For an additional amount for Military Construction, Air Force, \$18,000,000: Provided, That, notwithstanding any other provision of law, such amount may be used by the Secretary of the Air Force to carry out a military construction and renovation project at the Masirah Island Airfield, Oman.

BASE REALIGNMENT AND CLOSURE ACCOUNT, PART IV

For an additional amount for deposit into the Department of Defense Base Realignment and Closure Account 1990, \$9,000,000, to remain available until expended.

FAMILY HOUSING, ARMY

For an additional amount for “Family Housing, Army,” \$27,200,000 for operation and maintenance.

FAMILY HOUSING, NAVY AND MARINE CORPS

For an additional amount for “Family Housing, Navy and Marine Corps,” \$20,300,000 for operation and maintenance.

FAMILY HOUSING, AIR FORCE

For an additional amount for “Family Housing, Air Force,” \$18,000,000 for operation and maintenance.

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GENERAL PROVISIONS

SEC. ____ . Except as otherwise specifically provided in this Act, amounts provided to the Department of Defense under each of the headings in this Act shall be available for the same time period as the amounts appropriated under each such heading in Public Law 106-259 and Public Law 106-246.

SEC. ____ . Fuel transferred by the Defense Energy Supply Center to the Department of the Interior for use at Midway Island during fiscal year 2000 shall be deemed for all purposes to have been transferred on a nonreimbursable basis.

This provision would provide that the Department of the Interior would not be required to reimburse the Defense Energy Supply Center (DESC) for any fuel DESC transferred to the Department of the Interior for use at Midway Island during FY 2000.

SEC. ____ . Funds appropriated by this Act or made available by the transfer of funds in this Act for intelligence activities are deemed to be specifically authorized by the Congress for the purposes of section 504 of the National Security Act of 1947 (50 U.S.C. 414).

This section provides authorization for intelligence activities in this Act.

SEC. ____ . In addition to the amount appropriated in section 308 of Division A, Miscellaneous Appropriations Act, 2001, as enacted by section 1(a)(4) of Public Law 106-554 (114 Stat. 2763A-181 and 182), \$44,000,000 is hereby appropriated for "Operation and Maintenance, Navy," to remain available until expended: Provided, That such amount, and the amount previously appropriated in section 308, shall be for costs associated with the stabilization, return, refitting, necessary force protection upgrades, and repair of the U.S.S. COLE, including any costs previously incurred for such purposes: Provided further, That the Secretary of Defense may transfer these funds to appropriations accounts for procurement: Provided further, That funds so transferred shall be merged with and shall be available for the same purposes and for the same time period as the appropriation to which transferred: Provided further, That the transfer authority provided herein is in addition to any other transfer authority available to the Department of Defense.

This provision is required to increase the amount of funds appropriated for the repair of the U.S.S. COLE and to clarify that, in addition to repair costs, the funds may be used for costs associated

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with the stabilization, return, refitting, and necessary force protection upgrades of the U.S.S. COLE, including costs for such purposes as may already have been incurred.

SEC. ____ . Section 8096 of the Department of Defense Appropriations Act, 2001, is amended –

- (1) by striking "\$65,200,000" and inserting "\$40,100,000",
- (2) by inserting "and" before "\$36,900,000", and
- (3) by striking ", and \$25,100,000 shall be available from 'Aircraft Procurement, Air Force' ".

The Air Force included funds in its FY 2001 Budget to upgrade and maintain 76 B-52s. Section 8096 of the Defense Appropriations Act of 2001 provided funds to maintain and upgrade 18 reserve B-52 aircraft. This provision is required because planned upgrades to these 18 excess aircraft, costing \$25.1 million, are not necessary in FY 2001 to keep them up to fleet standards.

SEC. ____ . Of the funds made available under the heading, "Aircraft Procurement, Navy" in P.L. 106-259, \$235,000,000 is hereby canceled.

This amount, part of the funding originally appropriated to procure 16 Navy MV-22 tilt-rotor aircraft in FY 2001, is available because DoD is considering restructuring the program in light of several recently-identified problems. The restructured program would require slowing production and increasing research and development to fix demonstrated problems.

SEC. ____ . Of the funds made available under the heading, "Aircraft Procurement, Air Force" in P.L. 106-259, \$270,000,000 is hereby canceled.

The amount includes \$240.0 million originally appropriated to procure four production-model CV-22 tilt-rotor aircraft for the Air Force in FY 2001. The funds are available because DoD is considering restructuring the program in light of several recently-identified problems. The restructured program would require slowing production until an enhanced research and development effort fixes the identified problems. An additional \$30.0 million is available from the B-52 program because planned modifications to 18 excess aircraft, costing \$25.1 million, are not necessary this year to keep them up to fleet standards. In addition, \$4.9 million in other B-52 modifications can be delayed without negatively affecting the ability of the B-52 fleet to fulfill its mission.

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Summary of Program Requirements
(Dollars in Millions)

	<u>Urgent Pay and Benefits</u>	<u>Readiness, Training and Operations</u>	<u>Contractual Obligations & Cost Growth</u>	<u>Infrastructure & Weapons Systems Repair & Maintenance</u>	<u>Transformation Capabilities</u>	<u>Other</u>	<u>Total</u>
Army	222.0	389.7	227.4	129.3	-	3.0	971.4
Navy	84.0	580.0	274.1	379.0	80.0	36.4	1,433.5
Marine Corps	69.0	11.0	50.6	5.4	-	-	136.0
Air Force	107.0	715.8	377.2	249.3	93.0	216.6	1,758.9
Defense-wide	-	34.5	23.9		15.0	111.2	184.6
Working Capital Fund	-	-	178.4	-	-	-	178.4
OCOTF *	-	32.0	-	-	-	-	32.0
Defense Health Program	<u>1,427.0</u>	<u>-</u>	<u>26.4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,453.4</u>
Total DoD	1,909.0	1,763.0	1,158.0	763.0	188.0	367.2	6,148.2

Reductions

Navy	-235.0
Air Force	<u>-270.0</u>
Total Reductions	-505.0

New BA Request

5,643.2

* Overseas Contingency Operations Transfer Fund (OCOTF)

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Overview of Requirements

The Department of Defense (DoD) is requesting a non-offset supplemental totaling \$6.1 billion to fund improved health care and recently authorized pay and benefits, to support substantial and immediate improvements to readiness, to finance contract and extraordinary cost growth, and to commence transformation initiatives.

This supplemental requests additional resources to finance the increased costs attributable to improving healthcare technologies and expanded health benefits. Healthcare is a fundamental benefit and profoundly impacts the well being of military personnel, retirees, and their families. It is critical that healthcare costs be financed. This supplemental also requests additional resources to finance the costs for several new entitlements for military personnel included in the FY 2001 National Defense Authorization Act (Public Law 106-398) for which no funds were appropriated. These enhancements, particularly the increase in the pay tables for mid- and senior grade enlisted personnel, will enhance retention efforts at critical grades. Personnel in these grades are highly skilled, and because they increasingly have some college experience, are in great demand in the private sector. Since retaining them is critical to the Department's ability to ensure continuity and leadership, the Department embraces this pay table reform, but requires additional funding to prevent migration of resources from other critical areas of the budget. Funds are also requested to support equitable housing allowances and pay rates. The Department has revised the method of determining housing allowances to improve service members' quality of life and ensure that the housing they obtain in the economy is safe and is located in desirable neighborhoods.

This supplemental funding request seeks to improve readiness with robust funding for operating tempo. The Military Departments' fleets of aging aircraft require more resources to achieve flight operation levels that are adequate to maintain pilot proficiency. Similarly, overall operations must not be threatened by base operations funding levels which are insufficient to pay "must pay" bills. Additional resources for base operations will stem the migration of funds from unit training and readiness programs. Additional funds are also necessary for emergent operations, such as Sierra Leone, and to alleviate recently identified antiterrorism force protection vulnerabilities exposed by the bombing of the U.S.S. Cole.

As in the private sector, DoD is experiencing extraordinary increases in the price of electricity and natural gas, which have increased by an estimated 10 percent and 158 percent, respectively, since last year. The DoD also has costs which must be financed including: C-17 overhead costs, Airborne Laser, cost growth on ships under contract, and, in the furtherance of U.S.-Japan relations, the Navy's ability to follow through on plans to recover the bodies of victims lost in the EHIME MARU accident. The DoD must also finance contractual commitments and settlements that were not known when the FY 2001 budget was requested.

Finally, this supplemental request includes funding to accelerate the transformation of U.S. military capabilities to counter post-Cold War threats more decisively -- as emphasized by President Bush and Secretary Rumsfeld. Funding also would accelerate: development and implementation of information warfare capabilities to enhance the intelligence community's ability to detect terrorist threats, the fielding of Global Hawk

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to greatly expand the surveillance and reconnaissance capabilities of deployed U.S. forces, and development of miniature munitions to increase payload capabilities of combat aircraft. Funding is also requested to expand joint experimentation efforts through additional simulations and other initiatives. All this funding bolsters programs that are especially promising to the needed transformation of America's defense posture.

The additional funding DoD is requesting totals \$6,148.2 million. The DoD also requests that \$505.0 million of available FY 2001 funding be reduced to partially offset the total requirement, leaving a total request for new budget authority of \$5,643.2 million. The proposed reduction includes \$475.0 million from the V-22 aircraft program and \$30.0 million from the B-52 modifications program since these funds are excess to requirements. The Blue Ribbon Panel has recommended proceeding with a restructured V-22 program using a phased approach to return to flight and fleet introduction. Production of V-22 aircraft will be maintained at a minimum rate while the aircraft design changes are being developed and tested. Partially as a result of this restructuring, the production program can be reduced by \$475 million; however, an increase of \$80.0 million is required for initial redesign and testing effort to address deficiencies in the aircraft.

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**Summary of Requirements By Category
(Dollars in Millions)**

	<u>Army</u>	<u>Navy</u>	<u>Marine Corps</u>	<u>Air Force</u>	<u>Other</u>	<u>Total</u>
<u>Category 1: Urgent Pay and Benefits</u>						
Defense Health Program	-	-	-	-	1,427.0	1,427.0
Legislated Pay Entitlements	43.0	30.0	10.0	33.0	-	116.0
Housing Survey Results	84.0	13.0	45.0	68.0	-	210.0
Army Subsistence	28.0	-	-	-	-	28.0
Army Reserve Training	42.0	-	-	-	-	42.0
Navy Officer Pay Table Reform	-	28.0	-	-	-	28.0
Permanent Change of Station Moves	<u>25.0</u>	<u>13.0</u>	<u>14.0</u>	<u>6.0</u>	-	<u>58.0</u>
Total Category 1	222.0	84.0	69.0	107.0	1,427.0	1,909.0
<u>Category 2: Readiness, Training and Operations</u>						
Improved Recruiting and Retention	-	-	-	33.0	-	33.0
Flying Hours	-	425.0	-	525.0	20.0	970.0
FOCUSED RELIEF	10.7	7.0	-	3.8	14.5	36.0
Base Operations	317.0	90.0	-	7.0	-	414.0
Second Destination Transportation	62.0	-	-	-	-	62.0
Force Protection	-	22.0	11.0	-	-	33.0
Contractor Logistics Support	-	-	-	63.0	-	63.0
Training Munitions	-	-	-	73.0	-	73.0
Joint Exercises	-	-	-	11.0	-	11.0
EHIME MARU	-	36.0	-	-	-	36.0
Army Reserve Contingency Operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32.0</u>	<u>32.0</u>
Total Category 2	389.7	580.0	11.0	715.8	66.5	1,763.0
<u>Category 3: Contractual Obligations and Cost Growth</u>						
C-17 Overhead Cost	-	-	-	49.0	-	49.0
Airborne Laser	-	-	-	153.0	-	153.0
Cost Growth on Ships under Contract	-	222.0	-	-	-	222.0
Natural Gas/Electricity Growth	<u>227.4</u>	<u>52.1</u>	<u>50.6</u>	<u>175.2</u>	<u>228.7</u>	<u>734.0</u>
Total Category 3	227.4	274.1	50.6	377.2	228.7	1,158.0

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**Summary of Requirements By Category
(Dollars in Millions)**

	<u>Army</u>	<u>Navy</u>	<u>Marine Corps</u>	<u>Air Force</u>	<u>Other</u>	<u>Total</u>
<u>Category 4: Infrastructure and Weapon Systems Repair and Maintenance</u>						
California Electrical Demand Reduction	3.3	14.0	5.4	7.3	-	30.0
Oman Runway Repair	-	-	-	18.0	-	18.0
Air Force BRAC	-	-	-	9.0	-	9.0
Real Property Maintenance (RPM)	126.0	44.0	-	16.0	-	186.0
Aircraft Depot Maintenance	-	77.0	-	199.0	-	276.0
Ship Depot Maintenance	-	200.0	-	-	-	200.0
U.S.S. Cole Repairs	-	<u>44.0</u>	-	-	-	<u>44.0</u>
Total Category 4	129.3	379.0	5.4	249.3	-	763.0
<u>Category 5: Transformation Capabilities</u>						
Launch Vehicle Demonstration	-	-	-	48.0	-	48.0
Global Hawk	-	-	-	25.0	-	25.0
Miniature Munitions	-	-	-	20.0	-	20.0
Joint Experimentation	-	-	-	-	15.0	15.0
V-22 Aircraft	-	<u>80.0</u>	-	-	-	<u>80.0</u>
Total Category 5	-	80.0	-	93.0	15.0	188.0
<u>Category 6: Other</u>						
Classified Program	<u>3.0</u>	<u>36.4</u>	-	<u>216.6</u>	<u>111.2</u>	<u>367.2</u>
Total Category 6	3.0	36.4	-	216.6	111.2	367.2
Total Requirements	971.4	1,433.5	136.0	1,758.9	1,848.4	6,148.2
<u>Reductions</u>						
V-22 Reduction	-	-235.0	-	-240.0	-	-475.0
B-52 Reduction	-	-	-	<u>-30.0</u>	-	<u>-30.0</u>
Total Reductions	-	-235.0	-	-270.0	-	-505.0
Total Supplemental Request (new BA)	971.4	1,198.5	136.0	1,488.9	1,848.4	5,643.2

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**Summary of Requirements By Appropriation Title
(Dollars in Millions)**

	<u>Active</u>	<u>Reserve</u>	<u>National Guard</u>	<u>Other</u>	<u>Total</u>
<u>Title I - Military Personnel</u>					
Legislated Pay	<u>101.0</u>	<u>6.0</u>	<u>9.0</u>	-	<u>116.0</u>
Army	33.0	4.0	6.0	-	43.0
Navy	30.0	-	-	-	30.0
Marine Corps	10.0	-	-	-	10.0
Air Force	28.0	2.0	3.0	-	33.0
Housing Survey Results	<u>195.0</u>	<u>6.0</u>	<u>9.0</u>	-	<u>210.0</u>
Army	78.0	6.0	-	-	84.0
Navy	13.0	-	-	-	13.0
Marine Corps	45.0	-	-	-	45.0
Air Force	59.0	-	9.0	-	68.0
Army Subsistence	<u>28.0</u>	-	-	-	<u>28.0</u>
Army	28.0	-	-	-	28.0
Army Reserve Training	-	<u>42.0</u>	-	-	<u>42.0</u>
Army	-	42.0	-	-	42.0
Navy Officer Pay Table Reform	<u>28.0</u>	-	-	-	<u>28.0</u>
Navy	28.0	-	-	-	28.0
Permanent Change of Station Moves	<u>58.0</u>	-	-	-	<u>58.0</u>
Army	25.0	-	-	-	25.0
Navy	13.0	-	-	-	13.0
Marine Corps	14.0	-	-	-	14.0
Air Force	6.0	-	-	-	6.0
Recruiting and Retention	33.0	-	-	-	33.0
Air Force	33.0	-	-	-	33.0
<u>Total Title I</u>	<u>443.0</u>	<u>54.0</u>	<u>18.0</u>	<u>-</u>	<u>515.0</u>
Army	164.0	52.0	6.0	-	222.0
Navy	84.0	-	-	-	84.0
Marine Corps	69.0	-	-	-	69.0
Air Force	126.0	2.0	12.0	-	140.0

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**Summary of Requirements By Appropriation Title
(Dollars in Millions)**

	<u>Active</u>	<u>Reserve</u>	<u>National Guard</u>	<u>Other</u>	<u>Total</u>
<u>Title II - Operation and Maintenance</u>					
Flying Hour Costs	843.0	14.0	93.0	20.0	970.0
Navy	425.0	-	-	-	425.0
Air Force	418.0	14.0	93.0	-	525.0
Defense-Wide (USSOCOM)	-	-	-	20.0	20.0
FOCUSED RELIEF	21.5	-	-	14.5	36.0
Army	10.7	-	-	-	10.7
Navy	7.0	-	-	-	7.0
Air Force	3.8	-	-	-	3.8
Defense-Wide (USSOCOM)	-	-	-	14.5	14.5
Base Operations	390.0	14.0	10.0	-	414.0
Army	300.0	7.0	10.0	-	317.0
Navy	83.0	7.0	-	-	90.0
Air Force	7.0	-	-	-	7.0
Second Destination Transportation	62.0	-	-	-	62.0
Army	62.0	-	-	-	62.0
Force Protection	33.0	-	-	-	33.0
Navy	22.0	-	-	-	22.0
Marine Corps	11.0	-	-	-	11.0
Contractor Logistics Support	63.0	-	-	-	63.0
Air Force	63.0	-	-	-	63.0
Joint Exercises	11.0	-	-	-	11.0
Air Force	11.0	-	-	-	11.0
EHIME MARU	36.0	-	-	-	36.0
Navy	36.0	-	-	-	36.0
Army Reserves Contingency Operations	-	-	-	32.0	32.0
OCOTF	-	-	-	32.0	32.0

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**Summary of Requirements By Appropriation Title
(Dollars in Millions)**

	<u>Active</u>	<u>Reserve</u>	<u>National Guard</u>	<u>Other</u>	<u>Total</u>
Utilities	384.0	26.9	30.2	23.9	465.0
Army	172.8	13.5	13.9	-	200.2
Navy	37.0	5.5	-	-	42.5
Marine Corps	38.0	1.9	-	-	39.9
Air Force	136.2	6.0	16.3	-	158.5
Defense-Wide	-	-	-	23.9	23.9
California Electrical Demand Reduction	24.5	=	=	=	24.5
Army	.3	-	-	-	.3
Navy	14.0	-	-	-	14.0
Marine Corps	5.4	-	-	-	5.4
Air Force	4.8	-	-	-	4.8
Real Property Maintenance	167.0	-	19.0	-	186.0
Army	107.0	-	19.0	-	126.0
Navy	44.0	-	-	-	44.0
Air Force	16.0	-	-	-	16.0
Depot Maintenance (Aircraft & Ship)	452.0	14.0	10.0	-	476.0
Navy	277.0	-	-	-	277.0
Air Force	175.0	14.0	10.0	-	199.0
U.S.S. Cole Repair	44.0	=	=	=	44.0
Navy	44.0	-	-	-	44.0
Classified Program	29.8	-	-	35.4	65.2
Army	3.0	-	-	-	3.0
Navy	8.4	-	-	-	8.4
Air Force	18.4	-	-	-	18.4
Defense-Wide	-	-	-	35.4	35.4
Total Title II	2,560.8	68.9	162.2	125.8	2,917.7
Army	655.8	20.5	42.9	-	719.2
Navy*	997.4	12.5	-	-	1,009.9
Marine Corps	54.4	1.9	-	-	56.3
Air Force	853.2	34.0	119.3	-	1,006.5
Defense-wide	-	-	-	93.8	93.8
OCOTF	-	-	-	32.0	32.0

* Includes O&M, Navy funding of \$44.0 million for U.S.S. Cole repairs, which is available until expended, and \$953.4 million, which is only available in FY 2001 .

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**Summary of Requirements By Appropriation Title
(Dollars in Millions)**

	<u>Active</u>	<u>Reserve</u>	<u>National Guard</u>	<u>Other</u>	<u>Total</u>
<u>Title III – Procurement</u>					
Training Munitions	<u>73.0</u>	-	-	-	<u>73.0</u>
Air Force (Procurement of Ammo, AF)	73.0	-	-	-	73.0
C-17 Overhead Costs	<u>49.0</u>	-	-	-	<u>49.0</u>
Air Force (Aircraft Procurement, AF)	49.0	-	-	-	49.0
Cost Growth on Ships under Contract	<u>222.0</u>	-	-	-	<u>222.0</u>
Navy (Shipbuilding & Conversion, Navy)	222.0	-	-	-	222.0
California Electrical Demand Reduction	<u>4.2</u>	-	-	-	<u>4.2</u>
Army (Other Procurement, Army)	3.0	-	-	-	3.0
Air Force (Other Procurement, AF)	1.2	-	-	-	1.2
Classified Program	<u>196.7</u>	-	-	<u>5.8</u>	<u>202.5</u>
Air Force (Aircraft Procurement, AF)	35.0	-	-	-	35.0
Air Force (Other Procurement, AF)	161.7	-	-	-	161.7
Defense-Wide (Procurement, D-W)	-	-	-	5.8	5.8
<u>Total Title III</u>	<u>544.9</u>	<u>:-</u>	<u>:-</u>	<u>5.8</u>	<u>550.7</u>
Army	3.0	-	-	-	3.0
Navy	222.0	-	-	-	222.0
Air Force	319.9	-	-	-	319.9
Defense-Wide	-	-	-	5.8	5.8

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**Summary of Requirements By Appropriation Title
(Dollars in Millions)**

	<u>Active</u>	<u>Reserve</u>	<u>National Guard</u>	<u>Other</u>	<u>Total</u>
<u>Title IV – Research, Development, Test and Evaluation</u>					
Airborne Laser	<u>153.0</u>	-	-	-	<u>153.0</u>
Air Force	153.0	-	-	-	153.0
Launch Vehicle Demonstration	<u>48.0</u>	-	-	-	<u>48.0</u>
Air Force	48.0	-	-	-	48.0
Global Hawk	<u>25.0</u>	-	-	-	<u>25.0</u>
Air Force	25.0	-	-	-	25.0
Miniature Munitions	<u>20.0</u>	-	-	-	<u>20.0</u>
Air Force	20.0	-	-	-	20.0
Joint Experimentation	-	-	-	<u>15.0</u>	<u>15.0</u>
Defense-Wide	-	-	-	15.0	15.0
V-22 Aircraft	<u>80.0</u>	-	-	-	<u>80.0</u>
Navy	80.0	-	-	-	80.0
Classified Programs	<u>29.5</u>	-	-	<u>70.0</u>	<u>99.5</u>
Navy	28.0	-	-	-	28.0
Air Force	1.5	-	-	-	1.5
Defense-Wide	-	-	-	70.0	70.0
<u>Total Title IV</u>	<u>355.5</u>	<u>-</u>	<u>-</u>	<u>85.0</u>	<u>440.5</u>
Navy	108.0	-	-	-	108.0
Air Force	247.5	-	-	-	247.5
Defense-Wide	-	-	-	85.0	85.0

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**Summary of Requirements By Appropriation Title
(Dollars in Millions)**

	<u>Active</u>	<u>Reserve</u>	<u>National Guard</u>	<u>Other</u>	<u>Total</u>
<u>Title V – Defense Working Capital Fund (DWCF)</u>					
Utilities	-	-	-	178.4	178.4
DWCF	-	-	-	178.4	178.4
<u>Total Title V</u>	-	-	-	<u>178.4</u>	<u>178.4</u>
DWCF	-	-	-	178.4	178.4
 <u>Title VI – Other Department of Defense Programs</u>					
Health Care	-	-	-	1,427.0	1,427.0
Defense Health Program	-	-	-	1,427.0	1,427.0
Utilities	-	-	-	26.4	26.4
Defense Health Program	-	-	-	26.4	26.4
<u>Total Title VI</u>	-	-	-	<u>1,453.4</u>	<u>1,453.4</u>
Defense Health Program	-	-	-	1,453.4	1,453.4
 <u>Military Construction, Family Housing and Base Realignment and Closure (BRAC)</u>					
Utilities	64.2	-	-	-	64.2
Army (Family Housing)	27.2	-	-	-	27.2
Navy (Family Housing)	9.6	-	-	-	9.6
Marine Corps (Family Housing)	10.7	-	-	-	10.7
Air Force (Family Housing)	16.7	-	-	-	16.7
California Electrical Demand Reduction	1.3	-	-	-	1.3
Air Force (Family Housing)	1.3	-	-	-	1.3
Oman Runway Repair	18.0	-	-	-	18.0
Air Force (Military Construction)	18.0	-	-	-	18.0
BRAC Environmental	9.0	-	-	-	9.0
Air Force (BRAC)	9.0	-	-	-	9.0

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**Summary of Requirements By Appropriation Title
(Dollars in Millions)**

	<u>Active</u>	<u>Reserve</u>	<u>National Guard</u>	<u>Other</u>	<u>Total</u>
<u>Total Military Construction, Family Housing and Base Realignment and Closure (BRAC)</u>					
	<u>92.5</u>	-	-	-	<u>92.5</u>
Army	27.2	-	-	-	27.2
Navy	9.6	-	-	-	9.6
Marine Corps	10.7	-	-	-	10.7
Air Force	45.0	-	-	-	45.0
<u>Total DoD Supplemental Request</u>	<u>3,996.7</u>	<u>122.9</u>	<u>180.2</u>	<u>1,848.4</u>	<u>6,148.2</u>
Army	850.0	72.5	48.9	-	971.4
Navy	1,421.0	12.5	-	-	1,433.5
Marine Corps	134.1	1.9	-	-	136.0
Air Force	1,591.6	36.0	131.3	-	1,758.9
Defense-Wide	-	-	-	184.6	184.6
OCOTF	-	-	-	32.0	32.0
Defense Health Program	-	-	-	1,453.4	1,453.4
Defense Working Capital Fund	-	-	-	178.4	178.4
<u>DoD Financing</u>					<u>-505.0</u>
Reduction - Aircraft Procurement, Navy (V-22)					-235.0
Reduction - Aircraft Procurement Air Force (V-22, \$-240.0 million; B-52, \$-30.0 million)					-270.0
Total New Budget Authority Request for DoD					5,643.2

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Detailed Justification

<u>Defense Health Program</u>	Dollars in Millions <u>+1,427.0</u>
Operation and Maintenance, Defense Health Program	+1,427.0

Additional funding is necessary to keep America's promise to provide health care for military personnel, retirees, and their families. Advances in medicine and expanded health care benefits have combined to increase the cost of health care delivery to eligible active duty and retired military personnel and their families by about 12 percent. Specific costs included are attributable to the following elements of health care:

- Medical Treatment Facilities (MTFs) have experienced increased costs for delivery of healthcare and locally contracted medical care. (\$+151.2 million).
- Managed Care Support Contractors and the Department of Defense (DoD) have reached a settlement agreement for contract change orders, claims, terms of contracts, and changes in workload resulting in significant increases in costs, including costs attributed to Coast Guard beneficiary (\$+655.0 million).
- Other Private Sector Care (OPSC) has increases in the cost of the mail order pharmacy program and contracted care for active duty personnel outside the MTFs (\$+131.3 million).
- Newly legislated benefits for FY 2001 include full medical coverage regardless of duty assignment, lower out-of-pocket costs for co-payments, catastrophic treatment and related travel expenses, chiropractic care for active duty members, physical exams for school aged children, and the pharmacy benefit for Medicare-eligible military retirees and dependents (\$+489.5 million).

<u>Legislated Military Pay Entitlements</u>	Dollars in Millions <u>+116.0</u>
Military Personnel, Army	+33.0
Military Personnel, Navy	+30.0
Military Personnel, Marine Corps	+10.0
Military Personnel, Air Force	+28.0
Reserve Personnel, Army	+4.0
Reserve Personnel, Air Force	+2.0
National Guard Personnel, Army	+6.0
National Guard Personnel, Air Force	+3.0

Additional funds are required to finance the costs for several new entitlements for military personnel included in the FY 2001 National Defense Authorization Act (Public Law 106-398) for which no funds were appropriated. These authorized improvements in pay include the following:

- Additional pay raise for E-5 through E-7 personnel effective July 1, 2001 (\$+93.7 million)
- Increased Basic Allowance for Housing (BAH) rates for E-1s to E-4s with dependents (\$+14.0 million)

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- Increased special pay for reserve medical and dental officers (\$+5.3 million)
- Increased dislocation allowance for E-1s to E-4s to set their rate at the same rate as for E-5s (\$+3.0 million).

The Department must pay these costs by law; therefore, if funding is not provided for these entitlements, the Services will be required to constrain permanent change of station moves, reduce accessions, and reduce funding for discretionary items (e.g., reenlistment and enlistment bonuses). This course of action would cause serious morale problems and have long-term implications for management of the military force.

<u>Housing Survey Results</u>	Dollars in Millions
	<u>+210.0</u>
Military Personnel, Army	+78.0
Military Personnel, Navy	+13.0
Military Personnel, Marine Corps	+45.0
Military Personnel, Air Force	+59.0
Reserve Personnel, Army	+6.0
National Guard Personnel, Air Force	+9.0

Additional funding is required to finance the increased costs resulting from a significant improvement in the survey methodology for determining housing costs within military housing areas. The improved process ensures that rental, utility, and insurance costs are obtained from neighborhoods deemed appropriate for military members and their families. This is a significant improvement from the prior method of extracting information based completely on zip codes irrespective of the safety and the quality of the housing provided in those areas. Without this additional funding, the Services will be required to realign funding from the permanent change of station program, enlistment bonuses, or reenlistment bonuses, or they may reduce accessions. These actions would be detrimental to morale and are short-sighted. Funding in the appropriations is constrained because recruiting and retention has been better than anticipated.

<u>Army Subsistence</u>	Dollars in Millions
	<u>+28.0</u>
Military Personnel, Army	+28.0

Additional funds are required because food costs are higher than anticipated and because the requirement to provide operational rations in the field during operations is greater than projected. The Army has made significant improvements in recruiting and retention of soldiers; therefore, the higher than expected average strength level has limited the ability of the appropriation to absorb any increased funding requirements. Without additional funding, the Army may be required to cancel planned permanent change of station moves to the detriment of morale, or may need to realign funding from other programs, causing instability and degradation to readiness.

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	Dollars in Millions
Army Reserve Training	+42.0
Reserve Personnel, Army	+42.0

Additional funding supports increased inactive duty training (IDT) costs, increases in entitlements included in the FY 2001 National Defense Authorization Act (Public Law 106-378), permanent change of station (PCS), and full-time support (FTS). The IDT costs are related to enhanced unit mission training as well as individual training with active Army components to satisfy Active/Reserve integration requirements. Participation in IDT has been higher than anticipated and the cost for drills are higher than originally budgeted because more mid- and senior grade personnel are participating in IDTs than programmed. The additional PCS and FTS costs are attributed to an increased number of mandatory retirements, their replacements, and the accession of additional FTS personnel. Without these additional funds, the Army Reserve may have to cancel some training events scheduled for the last quarter of the year.

	Dollars in Millions
Navy Officer Pay Table Reform	+28.0
Military Personnel, Navy	+28.0

The Navy requires additional funds to fully finance the FY 2001 cost of the Officer Pay Table Reform that the Congress enacted and approved for implementation in July 2000. Estimates for the cost of pay table reform were originally developed in December 1998. The Navy's strength by pay grade is not static and has changed significantly since cost estimates were first developed. A review of FY 2001 execution to date shows higher rates than expected as a result of pay table reform. Due to other factors, such as end strength overexecution due to better than expected retention and increased pay and allowance costs authorized by Congress, there is no flexibility within the account to realign funding to finance this congressionally mandated increased funding requirement.

	Dollars in Millions
Increased Cost of Permanent Change of Station Moves	+58.0
Military Personnel, Army	+25.0
Military Personnel, Navy	+13.0
Military Personnel, Marine Corps	+14.0
Military Personnel, Air Force	+6.0

Additional funds are required to finance the increased cost for Permanent Change of Station Moves due to the implementation of pilot programs for the shipment of household goods, including the Full Service Moving Project (FSMP) pilot program that began in January 2001. The pilot programs provided DoD military members and their families with moving services for their household goods that are on par with those provided for corporate relocations. They have features that will improve the quality-of-life for military members. If funding is not provided for this purpose, the Services may discontinue their participation in the pilots, and the Department will be unable to evaluate the effectiveness of the program. Funding is required to pay for costs already incurred under the pilot programs.

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	Dollars in Millions
Improved Recruiting and Retention	+33.0
Military Personnel, Air Force	+33.0

Additional funding is necessary to support emergent requirements to attain accession goals and to fund enlistment and retention bonuses essential to improving readiness in critical occupational skills. In this challenging recruiting environment, the Air Force has had difficulty attracting and retaining skilled personnel. If funding is not provided, the Air Force will be unable to combat adverse accession and retention trends, which will degrade overall readiness, mission performance, and morale.

	Dollars in Millions
Flying Hours	+970.0
Operation and Maintenance, Navy	+425.0
Operation and Maintenance, Air Force	+418.0
Operation and Maintenance, Air Force Reserve	+14.0
Operation and Maintenance, Air National Guard	+93.0
Operation and Maintenance, Defense Wide (USSOCOM)	+20.0

Additional funds are required in order to fully fund the Components' flying hour programs so that they can meet their training commitments. The Navy, Air Force, and United States Special Operations Command (USSOCOM) experienced significant increases in costs during the execution of their approved FY 2000 flying hour program. Continued operating tempo and increasing demands associated with supporting an aging fleet drove these increases in costs. (The average of aircraft for the Air Force is 22 years and 18 years for the Navy.) Without these additional resources, the Components will not be able to achieve their readiness goals. Frequent and realistic training is essential to keeping DoD pilots and air crews at the peak of mission readiness. These additional resources will maintain the pilot proficiency necessary to respond to any emerging crisis.

	Dollars in Millions
FOCUSED RELIEF	+36.0
Operation and Maintenance, Army	+10.7
Operation and Maintenance, Navy	+7.0
Operation and Maintenance, Air Force	+3.8
Operation and Maintenance, Defense Wide (USSOCOM)	+14.5

Additional funds are required to fund costs that the DoD is incurring for its participation in the United States Government's effort in Sierra Leone. The United States has committed to providing emergency military assistance to the United Nations Mission in Sierra Leone (UNAMSIL) by training and equipping up to seven battalions of West African troops for deployment to Sierra Leone. The President has exercised his drawdown authority provided under section 506 (a) (1), as amended, of the Foreign Assistance Act of 1961. This authority allows the Departments of State and Defense to take the necessary steps to draw down defense articles from the stocks of the Department of Defense, as well as conduct military education and training, in order to provide immediate military assistance to the UNAMSIL and the countries involved in or affiliated with

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coalition operations related to Sierra Leone. As a result of this drawdown, the Components participating in this effort have incurred substantial unanticipated costs, including costs associated with the replacement of transferred equipment and transportation/airlift of several hundred U.S. military personnel and equipment to West Africa for the train and equip program. If funds are not provided, the USSOCOM, Army, Navy, and Air Force readiness/operations will be curtailed in the fourth quarter as a result of the use of this drawdown.

<u>Base Operations</u>	Dollars in Millions
	<u>+414.0</u>
Operation and Maintenance, Army	+300.0
Operation and Maintenance, Navy	+83.0
Operation and Maintenance, Air Force	+7.0
Operation and Maintenance, Army Reserve	+7.0
Operation and Maintenance, Navy Reserve	+7.0
Operation and Maintenance, Army National Guard	+10.0

Emerging requirements in other high priority operating programs caused the Army to divert funding temporarily from Base Operations Support (BOS) programs, resulting in a 7 percent funding reduction of BOS requirements. This funding increase in BOS is necessary to pay “must fund” bills and to reduce the risk of funds migrating from operating tempo (OPTEMPO) to BOS, thereby increasing the Army’s ability to meet its OPTEMPO goals. Because base operations directly support military personnel and their families, replacement of these funds is essential to maintaining morale, increasing retention, and improving readiness.

Additional funds are required by the Navy to relocate the Naval Ammunition Supply Depot from the western side of Vieques Island to the eastern side of the island as part of the land conveyance mandated by section 1502 of the FY 2001 National Defense Authorization Act (Public Law 106-398) (\$+10.0 million); to finance mandated information technology pay raises and locality pay raises (\$+15.0 million); to address strategic sourcing costs in Guam (\$+20.0 million); to finance NAVSEA building lease costs in Crystal City, VA associated with the delayed move to NAVSEA’s Navy Yard facilities (\$+28.0 million); and to support other miscellaneous base support contract increases (\$+10.0 million). Additional funds are required by the Navy Reserve to support continued operation of Naval Reserve legacy systems due to the slippage of Navy Standard Integrated Personnel System (NSIPS) implementation (\$+7.0 million). Without fiscal relief, the Navy will be required to divert operational readiness funds to address these “must fund” bills. Additionally, operation of legacy personnel systems will impact permanent change of station processing and payment of salaries.

Additional funds are required for the Air Force to fully fund the BOS costs for the recently transferred Special Operations Forces (SOF) unit in Taegu, Korea. The Air Force was assigned responsibility for providing the necessary BOS for the USSOCOM MH-47E unit based in Taegu. Recent reviews of the Taegu beddown have revealed that the BOS requirements are more costly than originally budgeted. The increased requirements results in part, because of additional military security personnel, increased operation and maintenance-funded contracts, and less Host Nation Support than was originally assumed.

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	Dollars in Millions
<u>Second Destination Transportation</u>	<u>+62.0</u>
Operation and Maintenance, Army	+62.0

Additional funds are needed to finance the movement of essential material among Army facilities in order to provide critical support to people, readiness, and transformation of the Army. Most crucial is the transportation of Army Post Office mail, movement of Army and Air Force Exchange System merchandise, and transportation of equipment for modernization, depot maintenance, or redistribution. Without these additional funds, the risk of funding migration from OPTEMPO to the Second Destination Transportation program to fund critical transportation requirements will be increased, thereby reducing the Army's ability to meet its OPTEMPO goals.

	Dollars in Millions
<u>Force Protection</u>	<u>+33.0</u>
Operation and Maintenance, Navy	+22.0
Operation and Maintenance, Marine Corps	+11.0

These additional funds address emergent antiterrorism and force protection requirements and will substantially mitigate recently recognized force protection vulnerabilities. The attack on the U.S.S. COLE triggered DoD to conduct comprehensive reassessments of its antiterrorism and force protection posture. These critical reviews revealed vulnerabilities in gaps and seams exploited in the attack on the U.S.S. COLE as well as other areas that had not been recognized previously. High priority requirements include waterside and electronic security systems, physical security, personnel alerting systems, purchase of harbor patrol boats, detection equipment, training for chemical battalion platoons, and storage facilities. These are essential requirements. With this funding, the Department of Navy will be able to reduce identified gaps and seam vulnerabilities and increase its ability to guard against, deter, and respond to terrorist incidents.

	Dollars in Millions
<u>Contractor Logistics Support</u>	<u>+63.0</u>
Operation and Maintenance, Air Force	+63.0

Additional funding is required to pay for contractor logistics support (CLS) requirements that were not anticipated in the FY 2001 President's Budget. These requirements include CLS support for:

- E-3 AWACS compliance with Federal Aviation Administration Directives and with recently issued aging aircraft service bulletins (\$+4.3 million),
- KC-10 accelerated engine inspections and repairs (\$+4.4 million),
- E-8 JSTARS wing structural integrity program. (\$+4.2 million)
- U-2 increased flight operations due to new CINC requirements resulting in cost increases for operations, ground support, wet film, and engineering support (\$+17.9 million),
- C-9, C-12, and C-21 increased operating costs (\$+7.7 million), and

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- C-37A and C-40 operating costs because no funding was included in the FY 2001 President's Budget request for these congressionally added aircraft (\$+24.5 million).

Without these additional funds, the Air Force will not be able to fix safety problems and ongoing maintenance requirements of the aging aircraft, to support increased OPTEMPO, and to support new aircraft. The result will be a reduction in mission capable rates that will curtail aircraft available for training. Crew skills would deteriorate, and the Air Force would not be able to support deployments and joint exercises.

	Dollars in Millions
<u>Training Munitions</u>	<u>+73.0</u>
Procurement of Ammunition, Air Force	+73.0

Funding will be used to purchase various training munitions (such as rockets, flares, practice rounds) to alleviate predicted shortfalls and prevent pilot decertification. The munitions are required to ensure pilots meet the training standards established by the Ready Aircrew Program (RAP) to maintain certification.

	Dollars in Millions
<u>Joint Exercises</u>	<u>+11.0</u>
Operation and Maintenance, Air Force	+11.0

Additional funding is required for the Chairman of the Joint Chiefs of Staff (CJCS) Exercise Program (CEP), which provides a vehicle for the Department to assess the military's ability to satisfy joint national security requirements and to enhance and evaluate interoperability between the Services, as well as exercise Service-unique deployment and redeployment skills. The FY 2001 DoD Appropriations Act reduced the Services' request for the CJCS Exercise program but did not reduce the Joint Staff's funding level, thereby creating an imbalance in the program. To maximize the execution of the FY 2001 program, the Components were directed to finance their FY 2001 participation in the CEP. Additional funding enables the Air Force to participate in the CEP as a full partner. Without these additional funds, joint training will be degraded and the capability of the Air Force to participate in joint deployments will decline.

	Dollars in Millions
<u>EHIME MARU</u>	<u>+36.0</u>
Operation and Maintenance, Navy	+36.0

The U.S.S. Greenville struck the 180-foot EHIME MARU, which is a fisheries ship that was ferrying 13 high school students on a training project near Hawaii on February 9, 2001. Nine people -- including four 17-year-old high school students were killed. The EHIME MARU weighs in excess of 750 tons and currently sits upright 2,033 feet beneath the surface. To recover the bodies of the victims, the Navy must relocate the vessel to shallower waters. Once the bodies are recovered, the vessel will be moved into deeper water and scuttled. The cost of relocating the EHIME MARU to shallower waters, recovering the bodies of the victims, and then scuttling the ship is \$36 million. A commercial lift support vessel has been

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placed on retainer to ensure the availability of equipment if the operation is authorized. Because of the potential for environmental damage, an environmental assessment and public response period is required before this proposed operation can be conducted. In furtherance of U.S.-Japan relations, these funds are required for the U.S. Government to follow through on plans to recover the remains and personal assets of those crew members and students killed in the U.S.S. Greenville-Ehime Maru accident

	Dollars in Millions
<u>Army Reserve Contingency Operations - Reserve Component Activation</u>	<u>+32.0</u>
Overseas Contingency Operations Transfer Fund	+32.0

In consonance with further incorporating the Reserve Components under the total force concept, the Army is increasing its reliance on the Reserve Components to provide additional troops for contingency operations in Bosnia, Kosovo, and Southwest Asia. This helps reduce the personnel tempo for the Active Component while making the Reserve Components role more visible. The Army Reserve Component manpower supporting contingency operations will increase from the projected level of 2,336 troops to 3,524 troops, an increase of 1,188. The total increased incremental costs related to this effort is \$32.0 million, which reflects the fact that all base pay and allowances of the Reserve Component activation are “incremental” as these costs would not be incurred if not for participation in the contingency operations. Without these additional resources, Army would be required to finance the \$32.0 million further stressing their underfunded personnel and readiness accounts.

	Dollars in Millions
<u>C-17 Overhead Costs</u>	<u>+49.0</u>
Aircraft Procurement, Air Force	+49.0

Funds are required to pay for the negotiated settlement of a request for equitable adjustment from Boeing resulting from an H-022 economic re-opener clause on the C-17 contract. The negotiated settlement includes an Air Force payment of \$150 million to be paid across fiscal years 1998-2000 and a \$49 million negotiated buyout of any remaining H-022 type clauses for Lots 13-15.

	Dollars in Millions
<u>Airborne Laser</u>	<u>+153.0</u>
Research, Development, Test and Evaluation, Air Force	+153.0

Funds will be used to meet Airborne Laser funding requirements and to substantially decrease risk to maintain lethal demonstration planned for FY 2003. Failure to provide these funds will create a stop work situation.

	Dollars in Millions
<u>Cost Growth on Ships under Contract</u>	<u>+222.0</u>
Shipbuilding and Conversion, Navy	+222.0

Additional funds are required to finance cost increases in shipbuilding programs begun in FY 2000 and prior. The cost increases are due to unanticipated cost increases resulting from strike settlements, increased labor

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rates, change orders, equipment procurements, and engineering design difficulties. The \$222 million is required to prevent work stoppages in FY 2001. Additional funds will be required in future years for the balance of the cost increases. The \$222 million is distributed as follows: \$32 million for Virginia Class (SSN-774), \$41 million for Arleigh Burke Class (DDG-51), \$84 million for Nimitz Class (CVN-68), and \$65 million for San Antonio Class (LPD-17).

<u>Utilities - Natural Gas/Electricity Growth</u>	Dollars in Millions
	<u>+734.0</u>
Operation and Maintenance, Army	+172.8
Operation and Maintenance, Army Reserve	+13.5
Operation and Maintenance, Army National Guard	+13.9
Operation and Maintenance, Navy	+37.0
Operation and Maintenance, Navy Reserve	+5.5
Operation and Maintenance, Marine Corps	+38.0
Operation and Maintenance, Marine Corps Reserve	+1.9
Operation and Maintenance, Air Force	+136.2
Operation and Maintenance, Air Force Reserve	+6.0
Operation and Maintenance, Air National Guard	+16.3
Operation and Maintenance, Defense-Wide	+23.9
Family Housing Operations, Army	+27.2
Family Housing Operations, Navy and Marine Corps	+20.3
Family Housing Operations, Air Force	+16.7
Defense Working Capital Fund	+178.4
Defense Health Program	+26.4

Additional funds are required to finance significant increases in the cost of base level utilities due to the recent rate increases for natural gas and electricity. The Components are experiencing significant cost increases in the price of electricity and natural gas during FY 2001. Electricity has increased by an estimated 10 percent and natural gas by 158 percent. If additional funds are not provided, the Components will have to reduce other critical programs (i.e., OPTEMPO) to fund these “must pay” bills.

<u>California Electrical Demand Reduction</u>	Dollars in Millions
	<u>+30.0</u>
Operation and Maintenance, Army	+0.3
Operation and Maintenance, Navy	+14.0
Operation and Maintenance, Marine Corps	+5.4
Operation and Maintenance, Air Force	+4.8
Other Procurement, Army	+3.0
Other Procurement, Air Force	+1.2
Family Housing Operations, Air Force	+1.3

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The Department has embarked on a demand reduction program to assist the state of California in its effort to ease its energy crisis. The Department intends to reduce its peak demand by 15 percent by yearend. These additional funds will avoid diversion of readiness and training funds to meet this need.

	Dollars in Millions
Oman Runway Repair	+18.0
Military Construction, Air Force	+18.0

The United States Government recently completed negotiations with the Government of Oman on the United States-Oman Access Agreement. Under the agreement, the United States will use the Omani Masirah Island Airfield. However, this airfield requires significant upgrades to the airfield pavement including runways and taxiways and improvements in airfield drainage and in airfield lighting before the United States can safely use the airfield. The CINCCENT has determined that this airfield is vital to U.S. national security interests and is an integral component of DoD's power projection capabilities in the region. The damaged airfield presents operational hazards to U.S. aircraft because aircraft engines can suck in surface debris from loose pavement thus damaging the engines and requiring costly repairs. In addition, the poor drainage and insufficient lighting impairs the ability of U.S. aircraft to land safely.

	Dollars in Millions
Air Force BRAC	+9.0
Base Realignment and Closure Account (BRAC)	+9.0

Additional funds are required to pay for critical environmental shortfalls (cleanup systems, operating systems, site monitoring, etc.) The additional funds would maintain the Air Force commitment to legal agreements with communities and regulators to meet reuse and property transfers. The cleanup effort will reduce known risks to human health and to the environment, avoid legal action, allow the Air Force to continue to meet its responsibilities. Failure to fund the increase will preclude timely cleanup of affected areas, delay reuse and property transfers as agreed with communities, and place the Air Force at risk for failing to comply with environmental cleanup laws and regulations.

	Dollars in Millions
Real Property Maintenance (RPM)	+186.0
Operation and Maintenance, Army	+107.0
Operation and Maintenance, Army National Guard	+19.0
Operation and Maintenance, Navy	+44.0
Operation and Maintenance, Air Force	+16.0

Increased funding reduces the current backlog of maintenance and repair at DoD facilities. The increased RPM funding provides additional resource to fund non-emergent requirements such as repairs to buildings, warehouses, aprons, utility plants, and distribution systems. While these additional RPM funds will not satisfy the full sustainment requirement for the year, they will satisfy the most pressing requirements without having to divert scarce funds from readiness efforts. This will help to correct the current status that requires many installations to suspend preventive maintenance operations and conduct repairs only on an emergency basis due to lack of funds.

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	Dollars in Millions
<u>Aircraft Depot Maintenance</u>	<u>+276.0</u>
Operation and Maintenance, Navy	+77.0
Operation and Maintenance, Air Force	+175.0
Operation and Maintenance, Air Force Reserve	+14.0
Operation and Maintenance, Air National Guard	+10.0

Additional funds are required to recover cost increases in depot labor, materials, and overhead. Aging depot equipment, aging aircraft, and increased demands for aircraft availability have increased the time that aircraft and engines spend in the depots thus increasing the cost of the repairs. Since the average age of the aircraft is increasing (18 years for the Navy and 22 years for the Air Force), there are longer down times for repairs and more unscheduled maintenance for both airframes and engines. Additionally, the cost of naval depot level repairs of various aeronautical components through Contractor Logistics Support is higher than anticipated. Without adequate funding for aircraft maintenance in FY 2001, the Navy and Air Force would reduce and defer aircraft and engine repair and overhauls at the depots. The slowdown would decrease mission capable rates and impair the Services' ability to execute the flying hour program, thus reducing readiness and crew skill levels.

	Dollars in Millions
<u>Ship Depot Maintenance</u>	<u>+200.0</u>
Operation and Maintenance, Navy	+200.0

These additional funds are required to finance ship depot maintenance requirements and to accommodate cost growth associated with: expanded scope of shipyard availabilities (i.e., U.S.S. SAIPAN, U.S.S. NASSAU, and U.S.S. BELLEAU WOOD); increased private yard manday rates at Puget Sound, Newport News, San Diego; and higher than anticipated costs for various maintenance items (e.g., catapult cover repairs and sonar dome rubber windows). Without these funds, shipyard availabilities will be descoped and cancelled, and maintenance requirements will be deferred to FY 2002 or beyond, thus affecting deployment schedules. Additionally, loss of work at private yards will cause layoffs, and public yard losses may increase future rates.

	Dollars in Millions
<u>U.S.S. Cole Repair</u>	<u>+44.0</u>
Operation and Maintenance, Navy (available until expended)	+44.0

Additional funds are required to complete repairs on the U.S.S. COLE and to replace/refurbish damaged combat and weapons systems. Of this amount, \$7 million is required to restore to the Navy the costs incurred to stabilize the vessel after the terrorist attack and to transport it, atop of the Merchant Vessel (M/V) Blue Marlin, from the Gulf of Aden to its docking availability in Pascagoula, MS. The total cost to return the U.S.S. COLE to operational status is \$250 million -- \$150 million was previously appropriated in Public Law 106-554. The additional requirements, \$56 million, will be addressed in FY 2002. However, without these funds available in FY 2001, the U.S.S. COLE cannot be brought back into service until after FY 2002.

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	Dollars in Millions
<u>Launch Vehicle Demonstration</u>	+48.0
Research, Development, Test and Evaluation, Air Force	+48.0

The FY 2000 Omnibus Reprogramming approved a new start effort for a Heavy Lift Demonstration Launch for the Evolved Expandable Launch Vehicle (EELV) program. This demonstration is essential to prove out launch vehicle operation before using with billion dollar payloads. The total cost of this effort is \$141.0 million from FY 2000 to FY 2003. The FY 2002 and 2003 portions, \$53.0 million and \$28.0 million, respectively, will be included in the FY 2002 President's Budget submission.

	Dollars in Millions
<u>Global Hawk</u>	+25.0
Research, Development, Test and Evaluation, Air Force	+25.0

These funds enable the acceleration of the Block 10 spiral development of the Global Hawk unmanned aerial vehicle to include communication system open architecture capabilities, power upgrades, survivability suite, and other endurance improvements.

	Dollars in Millions
<u>Miniature Munitions</u>	+20.0
Research, Development, Test and Evaluation, Air Force	+20.0

Funding will accelerate the development of a 250 pound precision guided munition. This munition is envisioned to have approximately 40 miles of standoff capability and would increase the weapons loadout on fighter and bomber aircraft.

	Dollars in Millions
<u>Joint Experimentation</u>	+15.0
Research, Development, Test and Evaluation, Defense-Wide	+15.0

The Statement of Managers accompanying the FY 2001 National Defense Authorization Act (P.L. 106-398) directed the Department to carry out a joint field experiment in FY 2002 (Millennium Challenge 2002 (MC02)) and to ensure that the planning for this experiment is carried out in FY 2001. Because most of the activities involved with MC02 will be virtual or simulated activities, the FY 2001 emphasis is on identifying, gathering, and creating modeling and simulation databases. Until the next generation simulations (e.g., the Joint Simulation System (JSIMS) and the Joint Warfare System (JWARS)) are fielded, the conduct of joint experimentations will require the implementation of manual work-arounds and temporary linkages between dissimilar simulations. The most difficult shortcomings are in the areas of data structures and database compatibility, interfaces to command and control devices, sensors, and automated intelligent behaviors. These additional funds will support the following planning efforts: (1) Databases - Modeling and Simulation Joint/Service builds and Command, Command, Control, Computing and Intelligence (C4I) Joint/Service builds; (2) Interfaces - Modeling and Simulation linkages, Range linkages, and C4I Interfaces;

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(3) Enhancements - Modeling and Simulation for 2007 scenario and Emulated 2007 C4I/Common relevant operations picture; and (4) Communications Support.

	Dollars in Millions
<u>V-22 Aircraft</u>	<u>+80.0</u>
Research, Development, Test and Evaluation, Navy	+80.0

The Blue Ribbon Panel has recommended proceeding with a restructured V-22 program using a phased approach to return to flight and fleet introduction. These additional funds support initial redesign and testing efforts required to address deficiencies, logistics, flight test and flight test support for V-22 aircraft.

	Dollars in Millions
<u>Classified Programs</u>	<u>+367.2</u>
Operation and Maintenance, Army	+3.0
Operation and Maintenance, Navy	+8.4
Operation and Maintenance, Air Force	+18.4
Operation and Maintenance, Defense-Wide	+35.4
Aircraft Procurement, Air Force	+35.0
Other Procurement, Air Force	+161.7
Procurement, Defense-Wide	+5.8
Research Development, Test and Evaluation, Navy	+28.0
Research Development, Test and Evaluation, Air Force	+1.5
Research Development, Test and Evaluation, Defense-Wide	+70.0

Details are classified and will be provided separately.

	Dollars in Millions
<u>V-22 Reductions</u>	<u>-475.0</u>
Aircraft Procurement, Navy	-235.0
Aircraft Procurement, Air Force	-240.0

The Blue Ribbon Panel has recommended proceeding with a restructured V-22 program using a phased approach to return to flight and fleet introduction. Production of the V-22 aircraft will be maintained at a minimum rate while the aircraft design changes are being developed and tested. As a result of this program restructuring, the production program can be reduced by \$475 million.

	Dollars in Millions
<u>B-52 Reduction</u>	<u>-30.0</u>
Aircraft Procurement, Air Force	-30.0

These funds can be reduced from various B-52 modifications because they are in excess to the DoD's requirements.

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MILITARY PERSONNEL, ARMY

For an additional amount for “Military Personnel, Army,” \$164,000,000.

MILITARY PERSONNEL, NAVY

For an additional amount for “Military Personnel, Navy,” \$84,000,000.

MILITARY PERSONNEL, MARINE CORPS

For an additional amount for “Military Personnel, Marine Corps,” \$69,000,000.

MILITARY PERSONNEL, AIR FORCE

For an additional amount for “Military Personnel, Air Force,” \$126,000,000.

RESERVE PERSONNEL, ARMY

For an additional amount for “Reserve Personnel, Army,” \$52,000,000.

RESERVE PERSONNEL, AIR FORCE

For an additional amount for “Reserve Personnel, Air Force,” \$2,000,000.

NATIONAL GUARD PERSONNEL, ARMY

For an additional amount for “National Guard Personnel, Army,” \$6,000,000.

NATIONAL GUARD PERSONNEL, AIR FORCE

For an additional amount for “National Guard Personnel, Air Force,” \$12,000,000.

OPERATION AND MAINTENANCE, ARMY

For an additional amount for “Operation and Maintenance, Army,” \$655,800,000.

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OPERATION AND MAINTENANCE, NAVY

For an additional amount for “Operation and Maintenance, Navy,” \$953,400,000.

OPERATION AND MAINTENANCE, MARINE CORPS

For an additional amount for “Operation and Maintenance, Marine Corps,” \$54,400,000.

OPERATION AND MAINTENANCE, AIR FORCE

For an additional amount for “Operation and Maintenance, Air Force,” \$853,200,000.

OPERATION AND MAINTENANCE, DEFENSE-WIDE

For an additional amount for “Operation and Maintenance, Defense-wide,” \$93,800,000.

OPERATION AND MAINTENANCE, ARMY RESERVE

For an additional amount for “Operation and Maintenance, Army Reserve,” \$20,500,000.

OPERATION AND MAINTENANCE, NAVY RESERVE

For an additional amount for “Operation and Maintenance, Navy Reserve,” \$12,500,000.

OPERATION AND MAINTENANCE, MARINE CORPS RESERVE

For an additional amount for “Operation and Maintenance, Marine Corps Reserve,”
\$1,900,000.

OPERATION AND MAINTENANCE, AIR FORCE RESERVE

For an additional amount for “Operation and Maintenance, Air Force Reserve,” \$34,000,000.

OPERATION AND MAINTENANCE, ARMY NATIONAL GUARD

For an additional amount for “Operation and Maintenance, Army National Guard,”
\$42,900,000.

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OPERATION AND MAINTENANCE, AIR NATIONAL GUARD

For an additional amount for "Operation and Maintenance, Air National Guard," \$119,300,000.

OVERSEAS CONTINGENCY OPERATIONS TRANSFER FUND

For an additional amount for "Overseas Contingency Operations Transfer Fund," \$32,000,000, subject to the terms and conditions provided under this heading in P.L. 106-259.

OTHER PROCUREMENT, ARMY

For an additional amount for "Other Procurement, Army," \$3,000,000.

SHIPBUILDING AND CONVERSION, NAVY

For an additional amount for "Shipbuilding and Conversion, Navy," \$222,000,000, to remain available until September 30, 2001: Provided, That upon enactment of this Act, the Secretary of Defense shall transfer such funds to the following appropriations in the amount specified: Provided further, That the amounts transferred shall be available for the same purposes as the appropriations to which transferred:

To:

Under the heading, "Shipbuilding and Conversion, Navy, 1995/01":

Carrier Replacement Program, \$84,000,000;

Under the heading, "Shipbuilding and Conversion, Navy, 1996/01":

DDG-51 Destroyer Program, \$41,000,000;

LPD-17 Amphibious Transport Dock Ship Program, \$65,000,000;

Under the heading, "Shipbuilding and Conversion, Navy, 1998/01":

NSSN Program, \$32,000,000.

AIRCRAFT PROCUREMENT, AIR FORCE

For an additional amount for "Aircraft Procurement, Air Force," \$84,000,000.

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PROCUREMENT OF AMMUNITION, AIR FORCE

For an additional amount for “Procurement of Ammunition, Air Force,” \$73,000,000.

OTHER PROCUREMENT, AIR FORCE

For an additional amount for “Other Procurement, Air Force,” \$162,900,000.

PROCUREMENT, DEFENSE-WIDE

For an additional amount for “Procurement, Defense-wide,” \$5,800,000.

RESEARCH, DEVELOPMENT, TEST AND EVALUATION, NAVY

For an additional amount for “Research, Development, Test and Evaluation, Navy,”
\$108,000,000.

RESEARCH, DEVELOPMENT, TEST AND EVALUATION, AIR FORCE

For an additional amount for “Research, Development, Test and Evaluation, Air Force,”
\$247,500,000.

RESEARCH, DEVELOPMENT, TEST AND EVALUATION, DEFENSE-WIDE

For an additional amount for “Research, Development, Test and Evaluation, Defense-wide,”
\$85,000,000.

DEFENSE WORKING CAPITAL FUNDS

For an additional amount for “Defense Working Capital Funds,” \$178,400,000, to remain
available until expended.

DEFENSE HEALTH PROGRAM

For an additional amount for “Defense Health Program,” \$1,453,400,000 for Operation and
Maintenance: Provided, that such funds may be used to cover unanticipated increases in TRICARE

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contract costs associated with the provision of health care services to eligible beneficiaries of all the uniformed services.

MILITARY CONSTRUCTION, AIR FORCE

For an additional amount for Military Construction, Air Force, \$18,000,000: Provided, That, notwithstanding any other provision of law, such amount may be used by the Secretary of the Air Force to carry out a military construction and renovation project at the Masirah Island Airfield, Oman.

BASE REALIGNMENT AND CLOSURE ACCOUNT, PART IV

For an additional amount for deposit into the Department of Defense Base Realignment and Closure Account 1990, \$9,000,000, to remain available until expended.

FAMILY HOUSING, ARMY

For an additional amount for “Family Housing, Army,” \$27,200,000 for operation and maintenance.

FAMILY HOUSING, NAVY AND MARINE CORPS

For an additional amount for “Family Housing, Navy and Marine Corps,” \$20,300,000 for operation and maintenance.

FAMILY HOUSING, AIR FORCE

For an additional amount for “Family Housing, Air Force,” \$18,000,000 for operation and maintenance.

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GENERAL PROVISIONS

SEC. ____ . Except as otherwise specifically provided in this Act, amounts provided to the Department of Defense under each of the headings in this Act shall be available for the same time period as the amounts appropriated under each such heading in Public Law 106-259 and Public Law 106-246.

SEC. ____ . Fuel transferred by the Defense Energy Supply Center to the Department of the Interior for use at Midway Island during fiscal year 2000 shall be deemed for all purposes to have been transferred on a nonreimbursable basis.

This provision would provide that the Department of the Interior would not be required to reimburse the Defense Energy Supply Center (DESC) for any fuel DESC transferred to the Department of the Interior for use at Midway Island during FY 2000.

SEC. ____ . Funds appropriated by this Act or made available by the transfer of funds in this Act for intelligence activities are deemed to be specifically authorized by the Congress for the purposes of section 504 of the National Security Act of 1947 (50 U.S.C. 414).

This section provides authorization for intelligence activities in this Act.

SEC. ____ . In addition to the amount appropriated in section 308 of Division A, Miscellaneous Appropriations Act, 2001, as enacted by section 1(a)(4) of Public Law 106-554 (114 Stat. 2763A-181 and 182), \$44,000,000 is hereby appropriated for "Operation and Maintenance, Navy," to remain available until expended: Provided, That such amount, and the amount previously appropriated in section 308, shall be for costs associated with the stabilization, return, refitting, necessary force protection upgrades, and repair of the U.S.S. COLE, including any costs previously incurred for such purposes: Provided further, That the Secretary of Defense may transfer these funds to appropriations accounts for procurement: Provided further, That funds so transferred shall be merged with and shall be available for the same purposes and for the same time period as the appropriation to which transferred: Provided further, That the transfer authority provided herein is in addition to any other transfer authority available to the Department of Defense.

This provision is required to increase the amount of funds appropriated for the repair of the U.S.S. COLE and to clarify that, in addition to repair costs, the funds may be used for costs associated

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with the stabilization, return, refitting, and necessary force protection upgrades of the U.S.S. COLE, including costs for such purposes as may already have been incurred.

SEC. ____ . Section 8096 of the Department of Defense Appropriations Act, 2001, is amended –

- (1) by striking "\$65,200,000" and inserting "\$40,100,000",
- (2) by inserting "and" before "\$36,900,000", and
- (3) by striking ", and \$25,100,000 shall be available from 'Aircraft Procurement, Air Force' ".

The Air Force included funds in its FY 2001 Budget to upgrade and maintain 76 B-52s. Section 8096 of the Defense Appropriations Act of 2001 provided funds to maintain and upgrade 18 reserve B-52 aircraft. This provision is required because planned upgrades to these 18 excess aircraft, costing \$25.1 million, are not necessary in FY 2001 to keep them up to fleet standards.

SEC. ____ . Of the funds made available under the heading, "Aircraft Procurement, Navy" in P.L. 106-259, \$235,000,000 is hereby canceled.

This amount, part of the funding originally appropriated to procure 16 Navy MV-22 tilt-rotor aircraft in FY 2001, is available because DoD is considering restructuring the program in light of several recently-identified problems. The restructured program would require slowing production and increasing research and development to fix demonstrated problems.

SEC. ____ . Of the funds made available under the heading, "Aircraft Procurement, Air Force" in P.L. 106-259, \$270,000,000 is hereby canceled.

The amount includes \$240.0 million originally appropriated to procure four production-model CV-22 tilt-rotor aircraft for the Air Force in FY 2001. The funds are available because DoD is considering restructuring the program in light of several recently-identified problems. The restructured program would require slowing production until an enhanced research and development effort fixes the identified problems. An additional \$30.0 million is available from the B-52 program because planned modifications to 18 excess aircraft, costing \$25.1 million, are not necessary this year to keep them up to fleet standards. In addition, \$4.9 million in other B-52 modifications can be delayed without negatively affecting the ability of the B-52 fleet to fulfill its mission.