

AIR FORCE

<u>(\$ in Millions)</u>									
FY 2002	Price	Program	FY 2003	Price	Program	FY 2004	Price	Program	FY 2005
<u>Actual</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>
28,360.1	+488.9	-1,770.9	27,078.1	+1,429.4	-713.6	27,793.9	+1,054.9	+84.0	28,932.5

The Operation and Maintenance (O&M), Air Force appropriation is the fiscal cornerstone of Air Force readiness. The appropriation finances the Air Force’s capability to develop, to train, to sustain, and to integrate the elements of air and space power necessary to produce the Air Force’s three core competencies:

1. Developing Airmen – the heart of combat capability,
2. Technology-to-Warfighting – the tools of combat capability, and
3. Integration of Operations – the optimization of combat capabilities.

The investment in these three air and space core competencies underpins the Air Force’s ability to deliver the Service’s six capabilities in joint warfighting: (1) air and space superiority, (2) information superiority, (3) precision engagement, (4) global attack, (5) rapid global mobility, and (6) agile combat support. The synergy of these competencies provides the full range of aerospace capabilities to the combined forces commanders.

The O&M budget pays:

- to operate and to maintain aircraft, space, and related weapon systems,
- to train personnel,
- to operate communications, command and control systems, and
- to purchase supplies, equipment and fuel.

These O&M resources also directly support essential combat related activities such as intelligence; logistics; weather, air traffic control; search and rescue; operation and maintenance of airfields, runways and base facilities; and the working and living environment of Air Force personnel.

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Overall Assessment

The FY 2004 O&M budget ensures the Air Force's readiness capabilities to meet today's threats while preparing for tomorrow's challenges. Requirements supporting Homeland Security and the Global War on Terrorism increase operating tempo. The Air Force faces significant challenges in meeting the demands of increased operating tempo.

FY 2004 Budget Request

The FY 2004 O&M budget request of \$27,793.9 million increases \$715.8 million above the FY 2003 program. The increase includes price growth of \$1,429.4 million offset by program decreases of \$713.6 million (-2.5 percent). The program changes include net transfers-out totaling \$180.0 million and net program reductions of \$533.6 million (-1.9 percent).

Major Price and Program Changes

- *Price Changes between FY 2003 and FY 2004 (\$+1,429.4 million)*
 - \$+670.3 million – Air Force Supply Management Activity Group (+18.3 percent)
 - \$+130.4 million – civilian compensation pay raises (+2.7 percent)
 - \$+124.2 million – depot maintenance performed at Air Force depots (+19.1 percent)
 - \$+87.2 million – fuel purchases (+8.3 percent)
 - \$+33.2 million – Defense Finance and Accounting Service (+14.1 percent)
- *Functional Transfers (\$-180.0 million)*
 - \$-164.0 million – transfer of Joint Surveillance Target Attack Radar System (E-8C) mission (17 aircraft) to the Air National Guard
 - \$-13.0 million – transfer of seven KC-135 aircraft to the Air National Guard
 - These two transfers replace the Air National Guard missions lost when the Air Force consolidated the B-1 mission into the Active Air Force.
- *Program Changes (\$-533.6 million): Net changes in programs that cut across the appropriation:*
 - \$+261.2 million – increase in aircraft programmed maintenance and in software upgrades

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- \$+5.4 million – net increase of civilian personnel compensation. Increases (\$+150.7 million) for workforce shaping, reversal of competition decisions offset decreases (\$-144.7 million) for efficiencies, realignments, and incentive and severance pay.
- \$-12.2 million – net decrease in Facilities Sustainment Restoration, and Modernization (FSRM) due to increased funding for sustainment and restoration (\$+52.3 million) offset by reduction demolition program(\$-40.1 million)
- \$-65.0 million -- net decrease in Base Support due to increasing real properly services (\$+105.0 million) and environment support (\$+38.0 million) offset by reductions in the purchase of supplies and services (\$-78.0 million).
- \$-694.8 million – net decrease in the cost of the flying hour program reflected reduced demand for spare parts based on changes in maintenance pattern and changes in force structure.

Major Goals

The FY 2004 O&M Budget sustains readiness gains achieved for FY 2003 and supports the Air Force’s transformation goals. The Air Force funds a flying hour program of 1.2 million flying hours to ensure aircrews of the world’s premier air force receive training crucial to combat readiness. The budget also reflects the Air Force’s efforts to recruit and to retain a skilled force to meet the nation’s growing reliance on air and space power. The budget addresses foundational issues such as maintaining an aging physical plant by meeting growing costs for base operating support, utilities, and facility sustainment, all, of which, are key to maintaining Air Force personnel and readiness.

Budget Activity 1: Operating Forces

<u>(\$ in Millions)</u>									
FY 2002	Price	Program	FY 2003	Price	Program	FY 2004	Price	Program	FY 2005
<u>Actual</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>
14,961.4	+278.2	-230.7	15,008.9	+1,060.0	-418.1	15,650.8	+694.8	-234.8	16,110.8

The Operating Forces budget activity consists of three activity groups: Air Operations, Combat Related Operations, and Space Operations. Funding in this budget activity supports:

- Fighter, bomber, and missile forces and aircraft assigned to the Air Force’s operational commands.
- Global command, control, and communications forces and aircraft including the Airborne Warning and Control System (AWACS).

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- Space operations including the capability to launch payloads into various earth orbits and to relay data gathered by a worldwide network of sites and terminals.
- Support of combat test and training fighter aircraft, electronic warfare aircraft, tactical air control systems, combat training ranges, and base support activities.

Major Changes in the FY 2005 budget request of \$15,650.8 million are:

- *Price Changes:* \$+1,060.0 million.
- *Transfers:*
 - \$-166.3 million in net transfers driven primarily by the transfer of the Joint Surveillance Target Attack Radar System (E-8C) mission (17-aircraft) to the Air National Guard to replace the Air National Guard missions lost when the Air Force consolidated the B-1 mission into the Active Air Force.
- *Program Increases:*
 - \$+112.6 million for Air Operations Training to sustain and to improve the readiness and operations of air combat ranges and training aircraft.
 - \$+108.5 million for F-15 depot maintenance resulting from increases in labor hours and material.
 - \$+82.7 million for software upgrades for B-1, A-10, B-2, B-52, and F-16.
 - \$+72.8 million for U.S. Strategic Command (USSTRATCOM). Includes:
 - Upgrades to the Strategic Warfare Planning System,
 - Modernization of the command center and the command and control infrastructure, and
 - Relocation of the personnel formerly assigned to the US Space Command from Petersen Air Force Base, CO to USSTRATCOM at Offut Air Force Base, NE.
 - \$+68.8 million for Headquarters, Northern Command to provide full operational capability for staffing, planning, administration, logistics, communications, command and control; and to improve Cheyenne Mountain Operations Center to support NORTHCOM crisis operations.
 - \$+62.3 million for launch range sustainment and higher range operation costs
 - \$+38.8 million for MILSTAR sustainment, engineering, and contractor logistics support as MILSTAR support transitions from the Research, Development, Test, and Evaluation, Air Force appropriation to O&M, AF appropriation.
 - \$+32.0 million for B-52 cost increase due requirements for increase labor hours and material resulting from unanticipated corrosion and structural.

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- \$+31.0 million for support of the Air Operations Center including training and upgrades to the Block 10 configuration.
- \$+30.1 million for maintenance of the Minuteman Missile including repair and manufacture of guidance and control parts.
- \$+26.8 million for increased operational costs of the third Unmanned Aerial Vehicle squadron added in FY 2002
- \$+18.1 million for Space Based Infrared System (SBIRS) for pre-operational support including communications required before SBIRS initial operating capability.

- *Program Decreases:*
 - \$-611.6 million in reduced flying hour costs resulting from lower demand for spare parts due to changed maintenance assumptions and from force structure realignments.
 - \$-267.8 million in one-time funding for one-time FY 2003 Defense Emergency Fund Transferred requirements and for one-time FY 2003 Congressional increases.
 - \$-65.6 million reflects reduced purchases of supplies and equipment to pay for contract costs for mess attendants, library services, fitness centers, and linen exchanges.
 - \$-41.0 million resulting from completion of the F-16 service life extension program in FY 2003.

Budget Activity 2: Mobilization

<u>(\$ in Millions)</u>									
FY 2002	Price	Program	FY 2003	Price	Program	FY 2004	Price	Program	FY 2005
<u>Actual</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>
4,499.5	-3.1	-689.9	3,806.5	+140.4	-493.6	3,453.3	+104.2	-45.9	3,511.6

The Mobilization budget activity includes the following activity groups that support the Air Force Mobility Operations:

- (1) Airlift Operations,
- (2) Airlift Operations Command, Control, Communications and Intelligence (C3I),
- (3) Mobilization Preparedness, and
- (4) Payment to the Transportation Business Area.

Mobility Operations provide global mobility through strategic and theater airlift to support peacetime, contingency, humanitarian, and wartime operations in pursuit of national objectives. The rapid movement and sustainment of United States combat forces anywhere in the world to deter aggression or to provide humanitarian/peacekeeping assistance is a major instrument of the U.S. national security

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policy. The Joint Chiefs of Staff (JCS), the Military Services, and other Department of Defense (DoD) and government agencies depend heavily on the Air Force's Mobility Operations for essential cargo and troop movements in support of a variety of missions. Success in the Balkans and Southwest Asia regions and humanitarian assistance efforts amplify the pivotal role of mobility force projection.

Major Changes in the FY 2004 budget request of \$3,453.3 million are:

- *Price Changes:* \$+140.4 million.
- *Transfers:*
 - \$-15.7 million in net transfers driven primarily by the transfer of the seven KC-135 aircraft to the Air National Guard to replace the Air National Guard missions lost when the Air Force consolidated the B-1 mission into the Active Air Force.
- *Program Increases:*
 - \$+58.6 million for restoration and modernization projects to correct deteriorating facilities and infrastructure at mobility air bases.
 - \$+55.5 million for lease of three C-40 aircraft in support of the travel for senior personnel.
 - \$+21.3 million for the lease of a fourth afloat prepositioned (APF) ship and for APF uploads and downloads. The Air Force added the fourth ship during FY 2002 using funding from Defense Emergency Response Fund. The Air Force begins to pay for the lease in FY 2004 from O&M,AF.
 - \$+15.0 million to reimburse the Air National Guard and Air Force Reserve for mobility support to the Combat Air Patrol.
- *Program Decreases:*
 - \$-351.9 million. Due to positive accumulated operating results in the Transportation Working Capital Fund, the Active Air Force will not need to reimburse the TWCF in FY 2004.
 - \$-160.6 million in one-time funding for FY 2003 Defense Emergency Fund Transferred requirements including combat air patrol, anti-terrorism/force protection, aircraft communications modifications.
 - \$-49.0 million for the divestiture of C-9A Aeromedical Evacuation aircraft. The Air Force will retire the aging C-9A aircraft and will fulfill patient movement requirements with a combination of Air Force mobility aircraft and commercial aircraft.
 - \$-18.6 million resulting from force structure realignments. The Air Force will retire 14 C-5s in FY 2004 and replace them with C-17s. The newer aircraft will reduce training costs for mobility pilots.

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- \$-20.0 million in reduced flying hour costs resulting from lower demand for spare parts due to changed maintenance assumptions and from force structure realignment.
- \$-14.4 million for reduced C-17 training costs based on lower C-17 TWCF flying hour costs.

Budget Activity 3: Training and Recruiting

<u>(\$ in Millions)</u>									
FY 2002	Price	Program	FY 2003	Price	Program	FY 2004	Price	Program	FY 2005
<u>Actual</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>
2,573.7	+42.2	-32.2	2,583.7	+72.5	+41.5	2,697.7	+65.8	+96.0	2,859.5

The Training and Recruiting budget activity supports three broad mission areas:

- (1) Accession Training,
- (2) Basic Skills and Advanced Training, and
- (3) Recruiting and Other Training and Education.

Accession Training operations produce the enlisted and officer personnel needed to meet total force requirements. Officer accessions receive indoctrination training through the United States Air Force Academy (USAFA), the Air Force Reserve Officer Training Corps (AFROTC), the Officer Accession and Training School (OATS), and the Airmen Education and Commissioning Program (AECP).

Basic Skills and Advanced Training includes specialized skill, flight training, professional development education, and training support. Specialized Skills provide to Air Force personnel (and individuals of other services) training and education essential to operate, maintain, and manage complex Air Force weapon systems and associated support structure. Flight training programs include flight screening, undergraduate pilot training, specialized undergraduate pilot training (SUPT), specialized undergraduate and advanced navigator training, and pilot instructor training (PIT). Professional development education includes professional military education programs to enhance and to develop critical leadership skills of commissioned officers, civilian, and noncommissioned officers.

Recruiting and Other Training and Education supports the recruiting and advertising programs needed to fulfill the Air Force personnel requirements. Other training programs cover civilian education and training, tuition assistance for active duty personnel, and Junior Reserve Officer Training Corps.

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Major Changes included in the FY 2004 budget request of \$2,697.7 million are:

- *Price Changes:* \$+72.5 million.
- *Net Transfers:* \$+1.1 million.
- *Program Increases:*
 - \$+33.5 million for civilian workforce shaping and training. The Air Force plans to increase the number of interns and co-op students in anticipation that 40 percent of today’s civilian workforce will be eligible for retirement within the next five years.
 - \$+21.9 million to expand the Graduate Degree Program to increase graduate degree opportunities from 500 annually to 2,500 annually.
 - \$+18.1 million for educational benefits to pay 100% of Tuition Assistance (up from the current level of 75 percent).
- *Program Decreases:*
 - \$-30.8 million in the annual training flying hour program resulting from force structure realignments as the Air Force replaces the T-37 training aircraft with the new T-6 training aircraft.

Budget Activity 4: Administration and Servicewide

<u>(\$ in Millions)</u>									
FY 2002	Price	Program	FY 2003	Price	Program	FY 2004	Price	Program	FY 2005
<u>Actual</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>
6,325.6	+171.5	-818.0	5,679.1	+156.5	+156.5	5,992.1	+189.9	+268.6	6,450.6

The Administration and Servicewide Activities budget activity funds four broad mission areas:

- (1) Logistic Operations,
- (2) Servicewide Support,
- (3) Security Programs, and
- (4) Support to Other Nations.

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Logistics Operations includes Air Force Logistics Operations, Technical Support Activities, Servicewide Transportation, and Base Support. The Logistics Operations Activity Group primarily funds the operation of Air Force Materiel Command (AFMC), which provides Air Force-wide cradle-to-grave acquisition and logistics support including Readiness Spares Kits and other pipeline supply requirements. It also includes inter- and intra-theater transport and handling of equipment and munitions.

The Servicewide Activities spread across the entire Air Force to ensure combat capability through communications, rescue and recovery, personnel and policy direction, and the Civil Air Patrol.

The Security Program Activity Group includes the Air Force Office of Special Investigations (AFOSI) and a series of classified programs.

Finally, the Support to Other Nations activity group provides United States Air Force participation in the North Atlantic Treaty Organization (NATO); Supreme Headquarters Allied Powers Europe (SHAPE), and the US Central Command's role in the Cooperative Defense Initiative and CINC Engagement Program with the Central Asian States.

Major Changes included in the FY 2004 budget request of \$5,992.1 million are:

- *Price Changes:* \$+156.5 million.
- *Net Transfers:* \$+1.0 million.
- *Program Increases:*
 - \$+74.8 million for Defense Finance and Accounting Service (DFAS) to fund DFAS at historical workload levels.
 - \$+35.4 million for Readiness Spares Packages.
 - \$+29.9 million for shipment of Harvest Falcon (Bare Base) components to the U.S. Central Command area of responsibility.
 - \$+29.0 million for Depot Maintenance Reengineering and Transformation initiatives to improve depot maintenance processes.
 - \$+18.1 million for Air Force Financial Management reform efforts that support of the DoD Financial Management Modernization Program.
 - \$+17.2 million in Second Destination Transportation for the shipment of new materials handling equipment.
- *Program Decreases:*
 - \$-47.2 million in classified programs.