

Report for Congress

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Authorization and Appropriations for FY2003: Defense

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Appropriations are one part of a complex federal budget process that includes budget resolutions, appropriations (regular, supplemental, and continuing) bills, rescissions, and budget reconciliation bills. The process begins with the President's budget request and is bounded by the rules of the House and Senate, the Congressional Budget and Impoundment Control Act of 1974 (as amended), the Budget Enforcement Act of 1990, and current program authorizations.

This report is a guide to one of the 13 regular appropriations bills that Congress passes each year. It is designed to supplement the information provided by the House and Senate Appropriations Subcommittees on Energy and Water. It summarizes the current legislative status of the bill, its scope, major issues, funding levels, and related legislative activity. The report lists the key CRS staff relevant to the issues covered and related CRS products.

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Authorization and Appropriations for FY2003: Defense

Summary

On February 4, 2002, the Administration submitted its formal FY2003 budget request to Congress. The Administration proposed \$396.8 billion for the national defense budget function, about \$46 billion above the estimated FY2002 level. The large increase has not been enough, however, to allay concerns among defense advocates in Congress, who argue that not enough money is available for needed weapons modernization programs. Much of the increase in funds is for accounting changes, including the impact of accrual accounting for military retiree health benefits, and for costs of the global anti-terrorism campaign. Costs of military personnel pay and benefits and of day-to-day operation and maintenance also continue to climb, leaving less than many defense proponents had hoped for new weapons programs.

Congress is now in the midst of action on annual defense authorization and appropriations bills. On May 10, the House passed its version of the FY2003 defense authorization bill, H.R. 4546. The bill authorizes \$383.4 billion for national defense, about \$13 billion less than the Administration's request. The bill does not include \$3.4 billion that the Administration had requested for full accrual accounting of civilian retirement benefits, nor does it include \$10 billion that the Administration had requested as an unallocated contingency fund for the war against terrorism. During the week of July 15, the House Armed Services Committee plans to report a second bill, H.R. 4547, to provide \$10 billion in funds for the global counter-terrorism campaign. Earlier the committee allocated \$3.6 billion of the \$10 billion in H.R. 4547 to specific programs that otherwise would have been included in the regular defense authorization.

On June 27, the Senate passed its version of the authorization bill, S. 2514. The bill authorizes \$393.4 billion for national defense, including \$10 billion set aside for counter-terrorism. Also on June 27, the House approved its version of the FY2003 defense appropriations bill, H.R. 5010. It provides \$354.7 billion for the defense programs it covers, \$12.1 billion below the Administration request.

Several key issues remain to be resolved. The Senate authorization bill includes a provision to allow immediate, full concurrent receipt of retired pay and disability benefits, while the House bill phases in a program to allow concurrent receipt for those with 60% or greater disabilities. The White House has threatened to veto a bill that includes either provision. Alternatives to the Crusader artillery system remain an issue. And the Senate authorization includes a number of provisions that the Administration objects to, including measures requiring tighter oversight of missile defense programs, a measure prohibiting development of a nuclear earth-penetrator warhead, and a measure prohibiting deployment of nuclear armed interceptors for missile defense.

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Abbreviations:

FDT = Foreign Affairs, Defense, and Trade Division

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Contents

Most Recent Developments	1
Background	1
Status of Legislation	2
FY2003 Defense Authorization Bills	2
FY2003 Defense Appropriations Bill	2
FY2003 Congressional Budget Resolution	2
FY2002 Supplemental Appropriations	3
Overview of the Administration Request	3
The Impact of Accrual Accounting for Military and Civilian Personnel Retirement Benefits on the Defense Budget	5
“Must Pay” Bills in the Defense Budget	7
The Impact of Growing Personnel and Operating Costs	8
Reversing the “Procurement Holiday”	11
The Procurement “Bow Wave”	12
Defense Transformation	13
Defense Budget Total	14
Key Issues in Congress	17
Counter-Terrorism Funding	18
Congressional Action	18
Personnel Pay and Benefits	19
Congressional Action	19
Army Modernization	21
Congressional Action	21
Navy Shipbuilding	24
Congressional Action	24
Aircraft Programs	26
Congressional Action	26
Missile Defense	29
Congressional Action	29
Strategic Nuclear Weapons Policy	34
Congressional Action	34
Environmental Restrictions on DOD Training	34
Congressional Action	34
Cap on Military Personnel in Colombia	35
Base Realignment and Closure	36
Abortions in Military Hospitals Overseas	36
Congressional Action	36
Legislation	36
Congressional Budget Resolution	36
Defense Authorization	37
Defense Appropriations	37
FY2002 Supplemental Appropriations	38

For Additional Reading	39
Appendix	41

List of Tables

Table 1a. Status of FY2003 Defense Appropriations	3
Table 1b. Status of FY2003 Defense Authorization	3
Table 2. National Defense Budget Function and Department of Defense Budget, FY2000-FY2007, Administration Projections	4
Table 3. Effects of Accrual Accounting on the Defense Budget	6
Table 4. Changes in Requested National Defense Funding by Appropriations Title	8
Table 5. Trends in Military Personnel Funding, FY1990-FY2007	9
Table 6. National Defense Budget Function by Appropriations Title, FY2000-FY2007	11
Table 7. Congressional Budget Resolution, Recommended Amounts for National Defense, FY2003-FY2007	15
Table 8. Congressional Budget Office Estimate of the Costs of the House Armed Services Committee Increase in Active Duty End-Strength	21
Table 9. Congressional Action on Major Army Acquisition Programs	24
Table 10. Congressional Action on Major Navy Shipbuilding Programs	25
Table 11. Congressional Action on Major Aircraft Programs	28
Table 12. Congressional Action on Missile Defense Funding by Program Element and Project	31
Table A1. Congressional Action on Defense Authorization by Title	41
Table A2. Congressional Action on Defense Appropriation by Title	41

Authorization and Appropriations for FY2003: Defense

Most Recent Developments

On June 27, the House passed its version of the FY2003 defense appropriations bill, H.R. 5010. The bill provides \$354.7 billion for defense programs covered by the measure, which is \$12.1 billion below the Administration request. Later the committee plans to act on a measure to provide an additional \$10 billion that was requested as an unallocated contingency fund for continuing the global counter-terrorism campaign.

Also on June 27, the Senate approved its version of the FY2003 defense authorization bill, S. 2514. The bill authorizes \$393.4 billion for national defense. It includes \$10 billion set aside for counter-terrorism but does not include funds for civilian retirement accrual. On May 10, the House passed its version of the FY2003 defense authorization bill, H.R. 4546, by a vote of 359-58. The bill authorizes \$383.4 billion for national defense, about \$13 billion less than the Administration's request. The bill does not include \$3.4 billion that the Administration had requested for full accrual accounting of civilian retirement benefits, nor does it include \$10 billion that the Administration had requested as an unallocated contingency fund for the war against terrorism. During the week of July 15, the House Armed Services Committee plans to report a second bill, H.R. 4547, to provide \$10 billion in funds for global counter-terrorism.

Background

Congress provides funding for national defense programs in several annual appropriations measures, the largest of which is the defense appropriations bill. Congress also acts every year on a national defense authorization bill, which authorizes programs funded in all of the regular appropriations measures. The authorization bill addresses defense programs in almost precisely the same level of detail as the defense-related appropriations, and congressional debate about major defense policy and funding issues usually occurs mainly in action on the authorization. **Because the defense authorization and appropriations bills are so closely related, this report tracks congressional action on both measures.**

The annual defense appropriations bill provides funds for military activities of the Department of Defense (DOD), including pay and benefits of military personnel, operation and maintenance of weapons and facilities, weapons procurement, and research and development, as well as for other purposes.

Most of the funding in the bill is for programs administered by the Department of Defense, though the bill also provides (1) relatively small, unclassified amounts for the Central Intelligence Agency retirement fund and intelligence community management, (2) classified amounts for national foreign intelligence activities administered by the CIA and by other agencies as well as by DOD, and (3) very small amounts for some other agencies. Five other appropriations bills also provide funds for national defense activities of DOD and other agencies including:

- the **military construction appropriations** bill, which finances construction of military facilities and construction and operation of military family housing, all administered by DOD;
- the **energy and water development appropriations** bill, which funds atomic energy defense activities administered by the Department of Energy;
- the **VA-HUD-independent agencies** appropriations bill, which finances civil defense activities administered by the Federal Emergency Management Agency, activities of the Selective Service System, and DOD support for National Science Foundation Antarctic research;
- the **Commerce-Justice-State appropriations** bill, which funds national security-related activities of the FBI, the Department of Justice, and some other agencies; and
- the **transportation appropriations** bill, which funds some defense-related activities of the Coast Guard.

Status of Legislation

FY2003 Defense Authorization Bills. On May 1, the House Armed Services Committee marked up its version of the FY2003 defense authorization bill, H.R. 4546. The committee also considered, but did not report, a companion measure, H.R. 4547, to provide funds for the war on terrorism. The House passed H.R. 4546 early on the morning of May 10. On May 9, the Senate Armed Services Committee completed marking up its version of the FY2003 defense authorization, S. 2514, and a report was issued on May 15. On June 13, the committee approved an amendment to be offered on the floor regarding the Crusader artillery system. On June 18, the full Senate began considering the bill, and the Senate passed the bill on June 27.

FY2003 Defense Appropriations Bill. On June 19, the House Defense Appropriations Subcommittee marked up its version of the FY2003 defense appropriations bill, and on June 24, the full committee marked up the bill (H.R. 5010) and ordered it to be reported. The House passed the bill on June 27.

FY2003 Congressional Budget Resolution. On March 20, the House passed its version of the annual congressional budget resolution, H.Con.Res. 353, and

the Senate reported its version, S.Con.Res. 100, on March 22. Both versions recommend funding levels for defense in FY2003 very close to what the Administration requested. The full Senate has not scheduled floor action, however, and it is widely expected that the two chambers will not be able to agree on a common budget. On May 22, as part of the rule governing debate on supplemental appropriations, the House approved a measure deeming the budget resolution, as approved in the House, to have been passed for purposes of guiding later action on funding legislation.

FY2002 Supplemental Appropriations. On March 21, the Administration submitted a request for \$27.1 billion in supplemental FY2002 appropriations for activities in response to last year's terrorist attacks, of which \$14 billion is for defense programs. On May 24, the House approved its version of the bill, H.R. 4775, providing \$28.8 billion using Office of Management and Budget (OMB) scoring of a key provision (as assumed by the appropriations committee) and \$30.1 billion using Congressional Budget Office (CBO) scoring. The Senate approved its version of the bill on June 7, providing \$31.4 billion.

Table 1a. Status of FY2003 Defense Appropriations

Subcommittee Markup		House Report	House Passage	Senate Report	Senate Passage	Conf. Report	Conference Report Approval		Public Law
House	Senate						House	Senate	
6/19/02	–	6/24/02 H.Rept. 107-532	6/27/02 413-18	–	–	–	–	–	–

Table 1b. Status of FY2003 Defense Authorization

Full Committee Markup		House Report	House Passage	Senate Report	Senate Passage	Conf. Report	Conference Report Approval		Public Law
House	Senate						House	Senate	
5/1/02	5/9/02	5/3/02 H.Rept. 107-436	5/10/02 359-58	5/15/02 S.Rept. 107-151	6/27/02 97-2	–	–	–	–

Overview of the Administration Request

On February 4, 2002, the Administration submitted its formal FY2003 budget request to Congress. The Administration proposed \$396.8 billion for the national defense budget function, about \$46 billion above the estimated FY2002 level (not including supplemental FY2002 appropriations of \$14 billion proposed on March

21).¹ The increase between FY2002 and FY2003 is the largest since at least the first years of the Reagan Administration. And with supplemental counter-terrorism funding for FY2001 and FY2002 included, the total increase in defense in the last year is the largest, in inflation-adjusted dollars, since the Vietnam War. The Administration projects continued growth in defense through FY2007, though at a much more modest pace – **Table 2** shows the long term trend in defense spending under the Administration’s plan.

Table 2. National Defense Budget Function and Department of Defense Budget, FY2000-FY2007, Administration Projections

(current and constant FY2003 dollars in billions)

Fiscal Year:	Actual 2000	Actual 2001	Estimate 2002	Request 2003	Proj. 2004	Proj. 2005	Proj. 2006	Proj. 2007
National Defense Budget Function								
Budget Authority								
Current year dollars	304.1	329.0	350.7	396.8	405.6	426.6	447.7	469.8
Constant FY2002 dollars	329.9	346.5	358.5	396.8	396.1	406.5	416.2	426.1
Real growth/decline	+1.4%	+5.0%	+3.5%	+10.7%	-0.2%	+2.6%	+2.4%	+2.4%
Outlays								
Current year dollars	294.5	308.5	348.0	379.0	393.8	413.5	428.5	442.5
Constant FY2003 dollars	319.5	324.9	355.2	379.0	384.5	394.2	398.4	401.1
Real growth/decline	+4.3%	+1.7%	+9.3%	+6.7%	+1.5%	+2.5%	+1.1%	+0.7%
Department of Defense								
Budget Authority								
Current year dollars	290.5	313.0	333.0	378.6	387.4	408.3	429.2	450.9
Constant FY2003 dollars	315.1	329.6	340.4	378.6	378.3	389.0	398.9	409.0
Real growth/decline	+1.7%	+4.6%	+3.3%	+11.2%	-0.1%	+2.8%	+2.5%	+2.5%
Outlays								
Current year dollars	281.2	294.0	330.6	361.0	375.6	395.2	410.2	423.9
Constant FY2003 dollars	305.1	309.6	337.4	361.0	366.7	376.7	381.3	384.2
Real growth/decline	+4.8%	+1.5%	+9.0%	+7.0%	+1.6%	+2.7%	+1.2%	+0.8%

Sources: U.S. Office of Management and Budget, *Historical Tables: Budget of the United States Government, Fiscal Year 2003*, February 2002. Constant dollar figures are CRS calculations using deflators from DOD Comptroller.

¹ Early statements by the President and DOD briefing material on the budget request say the FY2003 increase over FY2002 is \$48 billion. This is the increase for Department of Defense discretionary budget authority if civilian accrual accounting costs are not included in the FY2002 base.

Notes: This and other tables in this report use OMB data which reflect enacted and proposed changes in accounting for retirement benefits. Figures reflect (1) enacted accrual accounting for health care benefits for over-65 military retirees beginning in FY2003; (2) proposed accrual accounting for health care benefits for under-65 military retirees beginning in FY2004; and (3) proposed accrual accounting for all civilian retirement pension and health benefits beginning in FY2003. OMB has also adjusted FY2001 and FY2002 to be consistent with FY2003 and later treatment of civilian retirement benefits. Data in these tables also reflect OMB scoring of funds provided in the Emergency Terrorism Response (ETR) supplemental appropriations act approved in September 2001. OMB figures do not show the allocation of \$9.8 billion of funding provided for defense in the ETR supplemental.

The large increase requested for defense has not been enough, however, to allay the concerns of defense advocates in Congress. In their view, the budget is not adequate to accommodate needed increases in weapons procurement. In the House, several Members threatened to vote against the proposed budget resolution because it set aside \$10 billion for defense in a reserve fund available only for costs of the global counter-terrorism campaign. The Administration requested the \$10 billion as an unallocated contingency fund for costs of counter-terrorism operations in FY2003, but several members of the Armed Services Committees both in the House and in the Senate have said they would prefer using that money to increase spending on major weapons programs, especially shipbuilding.

The Impact of Accrual Accounting for Military and Civilian Personnel Retirement Benefits on the Defense Budget

One important complicating element of the FY2003 defense budget is a series of changes in accounting for military and civilian personnel retirement benefits. Most federal retirement benefits, including benefits for uniformed military service members and DOD civilian personnel, have long been funded on the basis of “accrual accounting,” in which the cost of future benefits for current employees is charged to the employing agency as the benefits are accrued. Under accrual accounting procedures, federal agencies pay the actuarially determined cost of future benefits into a fund. Payments to retirees are then charged to the fund, not to the agency. In the FY2003 and FY2004 defense budgets, three substantial adjustments involving accrual accounting have a large effect on budget totals. These are:

- **Accrual accounting for over-65 health care benefits for uniformed personnel:** The FY2001 Defense Authorization Act, P.L. 106-398, included a provision, known as “Tricare-for-Life,” that guarantees DOD-provided health care to over-65 military retirees and their dependents. Beginning in FY2003, these benefits are being funded on an accrual basis. This results in (1) an increase of \$8.1 billion in FY2003 in the military personnel accounts to reflect the accrual cost of future benefits for current uniformed personnel and (2) a reduction of \$5.6 billion in operation and maintenance accounts to reflect a payment from the health care trust fund to DOD for providing care to over-65 retirees.
- **Accrual accounting for all civilian personnel retirement pension and health benefits:** While most federal civilian retirement benefits have been funded on an accrual basis, a small part has not been. Now the Administration is proposing to fund all retirement benefits

on an accrual basis. In FY2003, the proposed change results in an increase of \$3.3 billion (both in budget authority and in outlays) in the Department of Defense budget. OMB has adjusted FY2001 and FY2002 figures – though not figures for earlier years – to be comparable to the new, proposed treatment of civilian retirement and health benefits. Thus, OMB figures include \$3.0 billion in FY2001 and \$3.2 billion in FY2002 Department of Defense budget totals (both in budget authority and in outlays) for increased civilian retirement accrual even though this accounting procedure was not in place in those years.

- **Accrual accounting for under-65 health care benefits for uniformed personnel:** Beginning in FY2004, the Administration is also proposing to finance health care benefits for under-65 military retirees on an accrual basis, in which, again, DOD would pay into a fund the cost of future benefits for current employees and would receive reimbursement from the fund for costs of under-65 retiree health care that it provides. Both the contributions to the fund and reimbursements from the fund are reflected in budget projections from FY2004 on.

Table 3 shows the year-by-year impact of these changes in accrual accounting on the defense budget through FY2007.

Table 3. Effects of Accrual Accounting on the Defense Budget
(millions of dollars)

	2003	2004	2005	2006	2007
DOD Payments to Accrual Funds					
Payments for Accrual of Benefits for 65-and-Over Health	8,102	8,618	9,151	9,720	10,338
Payments for Accrual of Civilian Benefits	3,356	3,629	3,781	3,938	4,114
Payments for Accrual of Benefits for Under-65 Health		6,484	6,889	7,319	7,778
Total Payments to Funds	11,458	18,731	19,821	20,977	22,230
Receipts by DOD for Provision of Services					
Receipts for 65-and-Over Health Care	5,634	5,986	6,361	6,758	7,180
Receipts for Under-65 Health Care		5,579	5,928	6,299	6,692
Total Receipts from Funds	5,634	11,565	12,289	13,057	13,872
Net Effect on DOD Budget	+5,824	+7,166	+7,532	+7,920	+8,358

Source: Office of Management and Budget.

“Must Pay” Bills in the Defense Budget

The cost of changes in accrual accounting is only one of a number of so-called “fact of life” or “must pay” bills in the FY2003 defense budget. Much of the FY2002-2003 budget increase is taken up by accounting changes, inflation, pay raises, changes in weapons cost estimates, and costs of the global counter-terrorism campaign rather than by increases in weapons investment. DOD Comptroller Dov Zakheim has told congressional committees that such “must pay” bills leave less than \$10 billion for new initiatives.

According to the Defense Department, increased costs include:

- \$6.7 billion for inflation;
- \$2.7 billion for pay raises;
- \$8.1 billion for accrual payments for 65-and-over health care benefits for current uniformed personnel when they retire (discussed above);
- \$3.3 billion for increased accrual payments to retirement accounts for current civilian DOD personnel (also discussed above – the OMB estimate is \$3.4 billion for FY2003);
- \$7.4 billion for what DOD calls “realistic costing,” half for revised estimates of weapons costs (including the F-22 fighter and already contracted Navy ships) and half for closer to full funding of projected operating costs; and
- \$19.4 billion for counter-terrorism, including \$10 billion in an unallocated contingency fund for continuing the war and \$9.4 billion for specific costs associated with ongoing operations.

In all, this adds up to \$47.5 billion in new costs, but the total is offset by \$9.3 billion in savings from procurement programs that were in the FY2002 budget but are not in the FY2003 plan. So an increase of almost \$50 billion in the defense budget, by this account, still leaves relatively little available for new programs.

While the point is generally well taken, some items are missing from the arithmetic. For one thing, DOD is receiving \$5.6 billion in payments from the retiree health care trust fund in FY2003 to cover costs of providing services to 65-and-over retirees – money it didn’t receive in FY2002. Also, some counter-terrorism costs were included in the FY2002 budget, so the increased cost in FY2003 is \$16 billion rather than \$19 billion. Moreover, OMB budget figures (though not some of the figures DOD used in its early briefings on the budget), show \$3.2 billion in costs of civilian accrual accounting in the FY2002 budget for purposes of comparison with the FY2003 request, so the added cost in FY2003 is only \$0.2 billion. And, finally, a substantial part of the \$9.4 billion for specifically allocated war-related funding will go to procure material, such as Unmanned Aerial Vehicles (UAVs), intelligence infrastructure, and communications equipment, that will be in the force for some time – DOD officials have said that at least \$3 billion of the amount for counter-terrorism is for weapons procurement. So, in all, the money available for new initiatives in FY2003, compared to FY2002, is more like \$20-25 billion – not the whole of the defense budget increase, but still not insubstantial.

The Impact of Growing Personnel and Operating Costs

The impact of “fact of life” cost increases on the FY2003 budget is relatively large because of some special factors, but it is by no means unique. **Table 4** compares the FY2003 defense request with FY2002 estimated funding by appropriations title – a fairly common way of looking at the budget – with comments on major reasons for some of the changes. What stands out is how much of the large increase between FY2002 and FY2003 is going to military personnel and to operation and maintenance (O&M) rather than to procurement or to research and development (though, as noted, some procurement is being financed from war-related funds requested in the operation and maintenance title).

Table 4. Changes in Requested National Defense Funding by Appropriations Title

(budget authority in billions of dollars)

Fiscal Year:	Estimate 2002	Request 2003	Change	Notes/Comments
Military Personnel	82.0	94.3	+12.3	+\$8.1 health benefits accrual
Operation & Maintenance	129.8	150.4	+20.7	+\$15.9 war costs; -\$5.6 health care receipts
Procurement	61.1	68.7	+7.6	+\$3.7 for increased cost estimates
RDT&E	48.6	53.9	+5.3	–
Military Construction	6.6	4.8	-1.8	Limited pending 2005 base closures
Family Housing	4.1	4.2	+0.2	–
Other	0.9	2.3	+1.4	–
Subtotal, DOD	333.0	378.6	+45.6	–
Atomic Energy Defense Activities	16.0	16.5	+0.4	–
Other Defense-Related Activities	1.7	1.7	+0.0	–
Total, National Defense	350.7	396.8	+46.1	–

Source: Office of Management and Budget; CRS calculations.

Notes: OMB figures include \$3.4 billion for civilian retirement benefits accrual in FY2003 and \$3.2 billion in FY2002. FY2002 estimate does not include \$14.1 billion in supplemental appropriations requested for counter-terrorism operations on March 21, 2002.

Military personnel accounts have grown especially rapidly in recent years because of pay and benefits increases that Congress approved beginning with the FY2001 defense authorization act (P.L. 106-398), passed in October, 2000. That bill included:

- a 4.8% across-the-board pay raise;
- “pay table reform” that provided additional substantial pay raises to mid-career personnel to bolster retention;
- the first increment of a Clinton Administration proposal to reduce out-of-pocket off-base housing costs by increasing basic allowance for housing benefits;

- “Tricare for Life,” guaranteeing DOD-provided health care to over-65 military retirees; and
- a requirement that future military pay raises be equal to the “employment cost index,” a broad measure of personnel costs in the economy as a whole, plus 0.5%.

Last year, the FY2002 defense authorization bill included some additional changes in the pay table to further boost income for selected mid-career personnel, and the bill also increased special pays and bonuses.

Increased pay and benefits appear to have improved military recruitment and retention, though recent gains may, in part, also be due to a less robust economy. The increases have also driven up personnel costs dramatically. **Table 5** illustrates the point. Under the Administration’s plan, total military personnel funding will grow from less than \$70 billion as recently as FY1998 (in current year dollars – i.e., not adjusting for inflation) to \$94 billion in FY2003 and to \$117 billion by FY2007. After adjusting for inflation (using the Consumer Price Index), personnel costs will grow from about \$48,000 per active duty troop to more than \$65,000 in FY2003 prices over the same period.

Table 5. Trends in Military Personnel Funding, FY1990-FY2007
(budget authority)

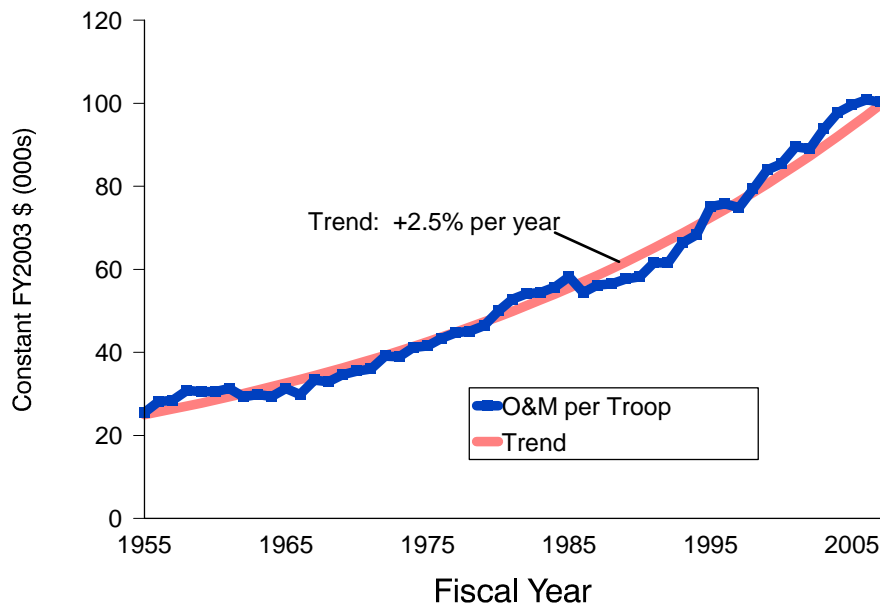
Fiscal Year	Total Military Personnel Funding (CY\$ in billions)*	Funding for Active Duty Military Personnel (CY\$ in billions)*	Funding for Active Military Personnel (FY2003\$ in billions)*	Active End-Strength (000s)	Funding for Active Military Personnel Per Troop (FY2003 \$)
1990	78.6	69.8	98.6	2,069	47,656
1991	78.4	75.0	101.1	2,002	50,485
1992	78.8	71.5	93.7	1,808	51,799
1993	76.0	66.5	84.7	1,705	49,652
1994	71.4	61.8	76.7	1,610	47,651
1995	71.6	62.1	75.0	1,518	49,389
1996	69.8	60.4	71.0	1,472	48,227
1997	70.3	60.9	69.8	1,440	48,453
1998	69.8	60.3	68.2	1,406	48,471
1999	70.6	60.7	67.2	1,386	48,519
2000	73.8	63.4	68.0	1,384	49,124
2001	76.9	65.7	68.3	1,385	49,287
2002	82.0	70.3	71.9	1,387	51,834
2003	94.3	79.9	79.9	1,390	57,494
2004	104.0	88.4	86.5	1,390	62,236
2005	108.1	91.7	87.6	1,390	63,048
2006	113.7	96.4	90.0	1,390	64,736
2007	117.4	99.4	90.6	1,390	65,183

Source: CRS calculations based on data from the Office of Management and Budget.

***Notes:** “CY\$” refers to “current year” dollars – i.e., not adjusted for inflation. FY2003 constant dollar figures are calculated using CPI-W deflators. DOD military personnel deflators are not appropriate to use because they count the amount of annual pay raises and benefits increases simply as inflation.

A similar, though much longer-term upward trend applies to operation and maintenance (O&M) accounts. A very simple measure of the trend is to calculate total O&M funding per active duty troop in constant, inflation adjusted prices. Making some adjustments to reduce inconsistencies from year to year, the result shows a very constant pattern of growth of about 2.5% per year above inflation from the mid-1950s on – **Figure 1** illustrates the trend.

Figure 1. Trend in DOD Operation & Maintenance Funding per Active Duty Troop, FY1955-2007



In the past, Defense Department projections often showed O&M costs per troop leveling off in the later years of each successive five or six year funding plan. When costs continued to grow, the Clinton Administration’s response was either to reduce planned procurement funding in order to shift money into O&M or to increase the total defense budget to cover at least part of the shortfall. The Bush Administration appears, at least from this very rough measure, to be more fully funding likely O&M cost growth, though the projections, as in the past, do appear to level off between FY2006 and FY2007. DOD Comptroller Dov Zakheim has said that the Administration is insisting on more realistic estimates both of procurement and of operating costs.

Continuing, unabated growth in personnel and in O&M costs takes up a substantial share of projected increases in overall defense spending over the next few years. **Table 6** shows Administration projections of defense funding by

appropriations title through FY2007. Between FY2000, the last full year of the Clinton Administration, and FY2007, overall national defense funding is projected to increase by \$166 billion. Of the increase, \$90 billion is for personnel and O&M and \$63 billion is for procurement and R&D.

Table 6. National Defense Budget Function by Appropriations Title, FY2000-FY2007

(budget authority, current year dollars in billions)

Fiscal Year:	2000	2001	2002	2003	2004	2005	2006	2007
Military Personnel	73.8	76.9	82.0	94.3	104.0	108.1	113.7	117.4
Operation & Maintenance	108.8	117.7	129.8	150.4	140.9	147.0	152.3	155.2
Procurement	55.0	62.6	61.1	68.7	74.7	79.2	86.9	99.0
RDT&E	38.7	41.7	48.6	53.9	57.0	60.7	58.9	58.0
Military Construction	5.1	5.5	6.6	4.8	5.1	6.3	10.8	13.8
Family Housing	3.5	3.7	4.1	4.2	4.3	5.1	4.9	4.8
Other	5.6	4.9	0.9	2.3	1.4	1.9	1.5	2.7
Subtotal, DOD	290.5	313.0	333.0	378.6	387.4	408.3	429.2	450.9
Atomic Energy Defense Activities	12.4	14.4	16.0	16.5	16.5	16.6	16.8	17.1
Defense-Related Activities	1.2	1.6	1.7	1.7	1.7	1.7	1.7	1.7
Total, National Defense	304.1	329.0	350.7	396.8	405.6	426.6	447.7	469.8

Source: Office of Management and Budget.

Note: OMB figures show \$3.0 billion in FY2000 and \$3.2 billion in FY2001 for full accrual accounting for civilian retirement benefits, though it was not in effect in those years and is proposed to begin in FY2003.

Reversing the “Procurement Holiday”

One key issue in congressional debate about the defense budget has been whether the \$70 billion or so requested for procurement in FY2003, or even the \$99 billion projected for procurement in FY2007, is enough to reverse what former Secretary of Defense William Perry called the “procurement holiday” in defense budgets that followed the end of the Cold War. A decline in new weapons purchases, said Perry in 1996, was justified in the early 1990s, first, because threats had declined, second, because many new weapons ordered in the 1980s had just entered the force, and, finally, because older weapons were retired first as the size of the force declined, so the average age of equipment was dropping even without new acquisitions. But the holiday would have to end soon, said Perry, in order to avoid creating an unaffordable “bow wave” of costs in the future to replace large numbers of rapidly aging weapons.

At the time, the Joint Chiefs set \$60 billion per year for procurement by FY1998 as the goal – a target reached in the Clinton Administration’s final budget for FY2001. In the years since Perry laid out the argument, however, the debate has shifted. Now the issue – at least among defense advocates – is no longer whether \$60

billion a year is adequate, but rather, how much more than \$60 billion is needed to meet modernization needs.

Much of the discussion has been shaped by a series of studies of the amounts needed to sustain a “steady state” procurement rate for major weapons – i.e., how much is needed to replace the existing stock of weapons with more modern systems as weapons reach the ends of their planned service lives. A study by the Center for Strategic and International Studies estimated \$160 billion a year – in FY2000 prices – if strategic nuclear weapons are included in the calculus, and \$110 billion a year without strategic modernization. The Congressional Budget Office made its own estimate of about \$90 billion a year, and the Center for Strategic and Budgetary Assessments said \$80 billion – both also in FY2000 prices. Most recently the Chairman of the Joint Chiefs, General Richard Myers, said that a Joint Staff study, not released for public review, concluded that \$100-110 billion a year, in FY2001 prices, is needed.² After adjusting for inflation, the \$99 billion projected for procurement in FY2007 does not quite reach CBO estimates of steady-state procurement requirements – \$99 billion in FY2007 prices equals about \$83 billion in FY2000 prices.

Many members of the congressional defense committees have expressed concern that the Administration’s budget plan – both in FY2003 and in future years – does not appear sufficient, despite large increases in the defense total, to finance planned weapons procurement programs. In the FY2003 request, committee members have been especially critical of the shipbuilding budget, which calls for procuring just five new ships. Assuming a 35-year service life for Navy ships, it would take an average of new 8.5 ships per year to maintain a force of 300 ships in the fleet. Only in the later years of the FY2003-2007 defense plan does the shipbuilding rate reach the nominal “steady-state” replacement rate. Some argue that helicopters, munitions, and other programs are inadequately funded as well.

The Procurement “Bow Wave”

Most recently there have been reports that DOD has been discussing how to cope with a substantial “bow wave” of procurement costs in FY2007 and beyond. Analytically, a “bow wave” refers to the normal pattern of funding for weapons programs. The annual budget for any major acquisition program tends to grow as a system moves from technology development to full scale engineering development to production. Then the acquisition cost will decline again as production winds down. Thus the shape of a bow wave. A very large cumulative bow wave can

² Daniel Gouré & Jeffrey M. Ranney, *Averting the Defense Train Wreck in the New Millennium*, (Washington: Center for Strategic and International Studies, 1999); Congressional Budget Office, *Budgeting for Defense: Maintaining Today’s Forces*, September 2000; Steven M. Kosiak, “Cost of Defense Plan Could Exceed Available Funding By \$26 Billion a Year Over the Long Run,” Center for Strategic and Budgetary Assessments, April 2, 1998; Steven M. Kosiak, “CSIS “Train Wreck” Analysis of Defense Department’s Plans-Funding Mismatch Is Off Track,” Center for Strategic and Budgetary Assessments, February 2000; prepared statement of General Richard B. Myers, Chairman of the Joint Chiefs of Staff, before the House Armed Services Committee, February 6, 2002.

develop if many new systems are scheduled to begin full production at about the same time.

This situation now appears to be facing the Defense Department at the end of the decade, when a number of new systems will be in production, including the F-22 and F-35 (Joint Strike Fighter) aircraft, the Comanche helicopter, and several new Navy ships. According to numerous press accounts, the Defense Department has been considering how to cope with the substantial projected shortfalls in procurement funding. The Navy, reportedly, is proposing to cut back substantially on planned procurement of F-35 fighters, and Secretary of Defense Rumsfeld is reportedly considering terminating several weapons programs – perhaps some in addition to the Crusader self-propelled artillery system – in order to safeguard future funds for more “transformational” weapons (see below).

Defense Transformation

During the presidential election campaign, then-candidate George Bush strongly endorsed the notion of a defense transformation to meet the needs of a dramatically new security environment. Both President Bush and Secretary of Defense Rumsfeld have reaffirmed their commitment to transformation in major policy speeches in recent months.³ Defense transformation has been defined in very diverse ways, however, and the Administration has been under some pressure from Congress to articulate its definition more fully.

Most recently, using categories of transformation laid out in the Quadrennial Defense Review that was released last September,⁴ Deputy Secretary of Defense Paul Wolfowitz gave a rough estimate of the amount of money requested for transformation-related initiatives in FY2003 and future years. In testimony before the Senate Armed Services Committee on April 9,⁵ Wolfowitz said

The six specific transformation goals identified in the QDR are first, to defend the U.S. homeland and other bases of operation and defeat nuclear, biological and chemical weapons and their means of delivery. Second, to deny enemy sanctuary, depriving them of the ability to run or hide, any time, any where. Third, to project and sustain forces in distant theaters in the face of access denial threats. Fourth, to conduct effective operations in space. Fifth, to conduct effective information operations. And sixth, to leverage our information technology to give our joint forces a common operational picture.

³ Remarks by the President at the Citadel, December 11, 2001; Remarks by U.S. Secretary of Defense Donald Rumsfeld, National Defense University, Fort McNair, Washington, D.C., Thursday, January 31, 2002.

⁴ U.S. Dept. of Defense, Office of the Secretary, *Quadrennial Defense Review Report*, September 30, 2001, 71 p. Available electronically at: [<http://www.defenselink.mil/pubs/qdr2001.pdf>]

⁵ Statement of Deputy Secretary of Defense Paul Wolfowitz before the Senate Armed Services Committee, Hearing on Transforming the Armed Forces to Meet the Challenges of the 21st Century, April 9, 2002. The prepared statement is available electronically at: [http://www.senate.gov/~armed_services/statemnt/2002/April/Wolfowitz.pdf].

In all, Wolfowitz said, about \$21 billion is requested in FY2003 for such transformational goals, and \$136 billion is planned over the next five years.

Defense Budget Total

With a global war against terrorism underway, Congress has not been inclined to make drastic changes in the Administration's request for a substantial defense increase. There has been some skirmishing, however, particularly between the defense committees and the budget committees, over two issues:

- first, how to treat the Administration's request for \$10 billion in FY2003 in an unallocated contingency fund for the war against terrorism and,
- second, how to treat the Administration's request for full accrual accounting of civilian retirement benefits, which, across the whole government, will increase discretionary spending by about \$9 billion and reduce mandatory spending by an equal amount.

For their part, the congressional defense committees would prefer to be able to allocate the entire amount the Administration requested for national defense – \$396.8 billion – as they see fit. The House Budget Committee, however, set aside the \$10 billion requested for war costs in reserve funds available only for that purpose. The House also set aside funds for civilian accrual accounting in a reserve fund, while the Senate Budget Committee rejected the shift to full accrual accounting altogether. The House-passed budget resolution also added about \$500 million to the Administration request which is assumed to be available for a phased in program to allow concurrent receipt of military retirement and disability benefits. **Table 7** shows amounts recommended for national defense in the House and Senate versions of the budget resolution, compared to the Administration request.

Table 7. Congressional Budget Resolution, Recommended Amounts for National Defense, FY2003-FY2007

(billions of dollars)

Fiscal Year:	2002	2003	2004	2005	2006	2007
House-Passed						
Budget Authority	347.514	393.831	401.640	422.740	444.243	466.458
Outlays	344.777	375.261	390.579	409.696	425.090	439.181
Senate Budget Committee						
Budget Authority		393.353	401.073	411.744	422.785	434.118
Outlays		380.145	394.354	405.833	411.587	415.278
Difference (House Minus Senate)						
Budget Authority		+0.478	+0.567	+10.996	+21.458	+32.340
Outlays		-4.884	-3.775	+3.863	+13.503	+23.903
Administration Request						
Budget Authority		396.801	405.642	426.571	447.702	469.750
Outlays		379.012	393.802	413.527	428.549	442.473
Administration Request, Excluding Civilian Accrual						
Budget Authority		393.445	402.013	422.790	443.764	465.636
Outlays		375.656	390.173	409.746	424.611	438.359

Sources: H.Con.Res. 353; S.Con.Res. 100.

The House approved its version of the FY2003 budget resolution, H.Con.Res. 353, on March 20 by a vote of 221-209. In all, the measure recommended \$393.8 billion for the national defense budget function in FY2003, but \$10 billion of that amount was in the reserve fund available only for costs of the global war against terrorism. An additional \$3.4 billion, not shown in the national defense total, was available for defense in the reserve fund to cover costs of accrual accounting, if Congress approves it. The Senate Budget Committee version of the resolution, S.Con.Res. 100, was reported on March 22, but has not been brought up on the Senate floor. The committee recommended \$393.4 billion for national defense in FY2003 and explicitly rejected a shift to full accrual accounting for civilian employees. The committee also recommended lower levels of defense spending after FY2004 than either the House or the Administration, though the committee set aside future funds in a reserve to be available either for defense or deficit reduction. Recommended national defense funding levels in the budget resolution are not binding on the appropriations committees, however, which are free to allocate funds for discretionary programs as they decide.

How to treat the \$10 billion that the Administration requested as an unallocated contingency for war costs has been a matter of continuing discussion. On May 22, the House approved H.Res. 428, the rule governing debate on the FTY2002 supplemental appropriations bill (H.R. 4775), which includes a provision “deeming” the budget resolution, as passed by the House, to be in effect for purposes of

subsequent House action on appropriations and other funding bills. Appropriators wanted the “deeming” language amended to allow the appropriations committee to remove the reserve fund designation for the contingency funding, thus letting the committee use the \$10 billion as it decides. In the face of objections from some conservatives, however, the House leadership did not agree, and the deeming language refers to the measure as passed by the House on March 20.

Negotiations about this issue have continued, however, and are related to the broader debate about the total amount available for appropriations. The House-passed budget resolution provides \$759 billion in total discretionary funding to the appropriations committee, which is equal to the Administration request without the \$9 billion government-wide cost of shifting civilian accrual payments from the mandatory to the discretionary side of the budget. Of the \$759 billion, \$10 billion is only available for war-related costs. The Senate reported version of the budget resolution, however, provides \$768 billion in discretionary funds, though it does not assume that Congress will approve the shift of accrual funding. As a result, without either the \$9 billion for accrual accounting or the \$10 billion for the counter-terrorism contingency fund, the House would end up marking up appropriations bills with \$19 billion less than the Senate – a prescription for gridlock when conference committees meet on the various appropriations bills.

A preview of the debate over treatment of the contingency fund in the appropriations bills played out in initial congressional action on the defense authorization. On May 1, the House Armed Services Committee marked up its version of the FY2003 defense authorization bill, H.R. 4546, and the full House passed the measure on May 9. The bill authorizes \$383.4 billion for national defense. The Committee also considered but did not report a separate bill, H.R. 4547, the “Cost of War Against Terrorism Authorization Act” (COWATAA), to provide the \$10 billion that the Administration requested as a contingency fund for war costs. Taken together the two bills would provide \$393.4 billion for national defense. The committee allocated \$3.6 billion in H.R. 4547, however, to a number of war-related costs that otherwise would have been included in H.R. 4546. In effect, this is a way of using part of the \$10 billion that the Administration wanted set aside for war costs to offset committee increases in other parts of the defense budget.

The House Appropriations Committee has taken a similar approach. The bill that was approved on June 27 provides \$354.7 billion for defense activities it covers (excluding military construction programs, Department of Energy defense-related activities, and defense-related activities of some other agencies). This is \$12.1 billion below the amount requested. Later the committee expects to allocate the \$10 billion that is currently reserved for war-related costs. In the meantime, the additional \$2.1 billion reduction in defense is available for other appropriations bills, including the military construction bill, which is \$541 million above the request, and the energy and water bill, which includes defense-related programs.

Key Issues in Congress

Along with negotiations about the overall level of defense spending, there has been considerable debate in Congress about priorities within the budget and about a number of specific programs. In general, the defense committees have tried to find somewhat more money for weapons procurement than the Administration requested. The House Armed Services Committee version of the FY2003 defense authorization bill finances increased procurement in part by making offsetting savings in the operation and maintenance accounts and in part by allocating \$3.6 billion of war-related expenses to the \$10 billion “Cost of War Against Terrorism Authorization Act” (H.R. 4547). The House Armed Services Committee also provided money for an increase in active duty end-strength of about 12,000 personnel, something the services have requested, but that Secretary Rumsfeld has strongly resisted. The Senate Armed Services Committee bill finances increased Navy procurement in part by reducing missile defense research and development funding. The House Appropriations Committee did not increase procurement significantly, but it remains to be seen what the committee will do when it takes up legislation to provide \$10 billion for war-related costs.

One of the major issues Congress is addressing this year is concurrent receipt of military retired pay and veterans disability benefits. The House authorization bill includes a provision to phase in partial concurrent receipt. The Senate bill includes a measure approved on the floor to provide immediate, full concurrent receipt. The White House Statement of Administration Policy on the Senate bill threatens to veto any bill that includes either partial or full concurrent receipt.

Another major issue emerged on the eve of the House Armed Services Committee markup of the defense authorization bill, when the committee received word that the Office of the Secretary of Defense (OSD) had decided to terminate the Army Crusader self-propelled artillery program. Other issues in the House Armed Services Committee markup included provisions concerning environmental limitations on military training, missile defense funding, nuclear weapons force levels, nuclear testing, abortions in overseas military hospitals, a cap on U.S. troop levels in Colombia, and base realignment and closure provisions. The Rules Committee did not make in order floor amendments on many of these issues, however.

A major issue in the Senate version of the authorization bill was the level of funding for missile defense. The Senate Armed Services Committee reduced requested missile defense R&D funds by more than \$800 million, freeing up funds for, among other things, increased shipbuilding. Eight Republicans on the Committee voted against reporting the bill, several citing the missile defense cut as the reason. In floor action, however, the Senate voted to allocate \$815 million in anticipated inflation savings either to missile defense or to counter-terrorism.

The following discussion provides an overview of major elements of the Administration’s request and of congressional action to date, with particularly controversial items highlighted.

Counter-Terrorism Funding

The Administration requested a total of \$19.4 billion in the FY2003 defense budget for costs of the global campaign against terrorism. Of the total, \$10 billion was requested as an unallocated reserve for future, as yet unplanned military operations, and the remaining \$9.4 billion was requested for specified activities. All of the money, and an additional \$700 million to support programs identified in the Administration's Nuclear Posture Review, was requested to be appropriated to the Defense Emergency Response Fund (DERF), a transfer account from which money would then be allocated to operating accounts of the services. This would allow the Defense Department considerable flexibility in using the money, since funds can be shifted to different activities without going through normal reprogramming procedures.

The counter-terrorism amounts requested for FY2003 in the regular appropriations bills are to carry on activities that were financed in FY2001 and FY2002 mainly through emergency supplemental appropriations. Last autumn, Congress appropriated \$40 billion for responding to the terrorist attacks of September 11, of which \$17.1 billion was devoted to defense programs. On March 21, 2002, the Administration sent Congress a request for an additional \$27.1 billion in FY2002 supplemental appropriations for responding to the terrorist attacks, of which \$14.0 billion is for defense. Congress is now considering the request. On May 24, the House approved H.R. 4775, providing \$28.8 billion in supplemental funding, of which \$15.8 billion is for defense. On May 22, the Senate Appropriations Committee reported S. 2551, providing \$31 billion in supplemental funding, of which \$14 billion, as requested, is for defense. (For a full discussion, see Amy Belasco and Larry Nowels, *Supplemental Appropriations for FY2002: Combating Terrorism and Other Issues*, CRS Report RL31406.)

Congressional Action. Neither the House nor the Senate Armed Services Committees, nor the House Appropriations Committee agreed to provide the \$9.4 billion requested for specific counter-terrorism programs in the DERF. Instead, all the committees allocated funding to regular operating and acquisition accounts in the authorization bills. The Senate Armed Services Committee also reduced funding by \$1.3 billion – the largest reduction is a cut of \$820 million in funding for combat air patrols.

The House and Senate authorizing committees differ in treating the \$10 billion requested for as yet undefined operations. The Senate Armed Services Committee authorized the appropriation of the full \$10 billion in a general provision (Section 1003) of the bill. The House Armed Services Committee established a separate bill, H.R. 4547, in which to act on the request. The House committee also included in H.R. 4547 \$3.6 billion of funds for specific programs, leaving \$6.4 billion to be allocated later, when the Administration provides a more detailed request for the funds. In effect, the committee freed up \$3.6 billion of funds for other programs in the regular authorization bill.

The House-passed version of the FY2003 defense appropriations bill does not include the \$10 billion of unallocated funds for war-related costs. The

Appropriations Committee plans to consider acting on the \$10 billion later, once the Administration has prepared a specific request for allocating the funds.

Personnel Pay and Benefits

The Administration request includes a 4.1% pay raise for military personnel; additional selective pay increases for mid-grade personnel of up to 4.4%; the extension of special pays and bonuses to bolster retention of personnel with critical skills; and continued incremental increases in the basic allowance for housing intended to eliminate out-of-pocket off-base housing costs by FY2005.

Congressional Action. Both the House and the Senate Armed Services Committees approved the Administration's proposed pay and benefits increases. A number of significant personnel related issues have emerged, however, including concurrent receipt of retirement and disability benefits, House cuts in funding for health benefits accrual, and a House and Senate increase in active duty military end-strength. The House Appropriations Committee provided full funding for the pay raise and for housing and other benefits but limited funding for some enlistment and reenlistment bonuses to last year's level, and it did not endorse an increase in end-strength.

Concurrent Receipt of Retirement and Disability Benefits. The House Armed Services Committee approved the first increment of a plan to phase in a measure that would allow military retirees with a disability of up to 60% to receive both disability benefits and retirement pensions. Under current law, retirement benefits are reduced by the amount of disability benefits received. Allowing phased in, partial concurrent receipt, as in the House bill, will cost an estimated \$516 million in FY2003, \$5.8 billion over the five years from FY2003 through FY2007, and \$17 billion over ten years through FY2012. These amounts will be scored not as discretionary funding in the defense bills, but as mandatory spending coming either from the military retirement trust fund or from the Veteran's Administration.

The measure will also require an increase in contributions to the military retirement fund to cover the accrual cost of the increased benefits provided to current military personnel. The House measure provides that the accrual payments will be made from the general Treasury, however, rather than from discretionary funds in the defense budget. Including both increased payments to retirees and payments from the general fund into the military retirement fund, the Congressional Budget Office estimates that the total budget cost of the House plan will be \$1.1 billion in FY2003, \$8.8 billion over the five years, FY2003-FY2007, and \$22.6 billion over the next ten years through FY2012.⁶

The Senate Armed Services Committee included a similar, phased in, partial measure in its reported bill, but the committee also voted to offer an amendment on the floor that would immediately allow full concurrent receipt of disability and retired pay regardless of the level of disability. Senators Levin and Warner brought up that

⁶ Congressional Budget Office, "Cost Estimate, H.R. 4546, Bob Stump National defense Authorization Act for Fiscal year 2003," p. 13 and p. 15.

amendment on the floor on June 19, and it was approved by a voice vote. The Senate-passed measure does not insulate the Defense Department from the accrual costs of the increased benefits as the House measure does. This version of concurrent receipt would cost \$4.3 billion in FY2003, \$25.8 billion over the next five years, and \$61.0 billion over the next ten years. Of those amounts, the Defense Department would have to provide \$1.1 billion in FY2003, \$2.5 billion over the next five years and \$6.4 billion over the next ten years in its budget to cover accrual payments for its current military personnel.

For its part, the Administration is opposed to permitting concurrent receipt. In its "Statement of Administration Policy" on the defense authorization bill (available at [<http://www.whitehouse.gov/omb/legislative/sap/107-2/S2514-s.html>]), the White House threatened to veto the defense authorization if it provides for either partial or full concurrent receipt.

House Reduction in Funding for Estimated Cost of Retiree Health Care Benefits. When it submitted its budget request, the Administration estimated that the Defense Department would have to pay \$8.1 billion in FY2003 into the retiree health care reserve fund for accrual costs of 65-and-over health care benefits (see above). Recently, officials have said that DOD actuaries are expected to reduce the estimated cost later this year, but they do not have any firm figures as yet. The House Armed Services Committee reduced military personnel funding by \$810 million, 10% of the estimated cost of health benefits accrual. Representative Spratt, the second ranking Democrat on the committee, criticized this measure, saying that the \$810 million is at the upper limit of the amount DOD said might be saved. If defense actuaries do not revise their cost estimate as much, there could be a shortfall of several hundred million dollars in military personnel accounts. The House Appropriations Committee reduced funding for health benefits accrual by \$405 million, the lower end of DOD estimates of likely savings.

Increase in Personnel End-Strength. The House Armed Services Committee also approved an increase of 12,552 in active duty end-strength, including increases in full time guard and reserve personnel. The House-passed authorization bill provides \$528 million in FY2003 to cover associated costs in the military personnel accounts. Each of the military services has requested an increase of personnel end-strength recently, with Army seeking the largest increment of as many as 40,000 additional soldiers. Secretary Rumsfeld has resisted increases, however, arguing repeatedly that added personnel would be very expensive over the long term and that measures should instead be taken to reduce demands on the force. It is not clear whether the House Armed Services Committee intends the end-strength increase to be a temporary measure related to the war against terrorism or a permanent addition to the force. Once fully phased in, an increase of 12,552 in end-strength would cost more than \$1 billion a year in the personnel accounts, with additional costs required in operation and maintenance accounts to fully train, sustain, and equip the added troops.

The Senate Armed Services Committee did not include an increase in end-strength in the authorization bill it reported. But on the floor on June 27, the Senate approved an amendment offered by Senators Cleland and McCain to increase

authorized active duty end-strength by 12,000. Senator Cleland urged an additional increase of 26,000 service members, mostly in the Army, over the next five years.

The House Appropriations Committee did not approve an increase in end-strength, arguing that requirements are uncertain. The committee report says that any increase that might be needed in FY2003 should be addressed in a supplemental appropriations request.

Table 8. Congressional Budget Office Estimate of the Costs of the House Armed Services Committee Increase in Active Duty End-Strength

(budget authority in millions of dollars)

	2003	2004	2005	2006	2007
House – H.R. 4546	528	1,089	1,122	1,155	1,191

Source: Congressional Budget Office.

Army Modernization

The Army's modernization plan involves three overlapping initiatives – one to upgrade and recapitalize the existing “legacy” force of heavy armored forces; a second to build new, more easily deployable “interim brigade combat teams”; and a third to develop the “objective force” of the future. Key elements of legacy force modernization include upgrading existing weapons with digitized communications links and new surveillance and reconnaissance capabilities. The most controversial elements of the plan are the Comanche helicopter, which has experienced repeated development delays and cost increases, and the Crusader artillery system. The central element of the interim force is a new light armored vehicle. Although Congress has generally supported the interim force concept, there has been some debate about the characteristics of the armored vehicle. In the past, the issue was whether it should be a tracked vehicle instead of the wheeled system the Army has selected. More recently, the issue has been whether the new vehicle will be transportable on C-130 airlift aircraft. The key element of the objective force is the “Future Combat System,” which is now defined as an integrated suite of capabilities, including new armored systems and also improved communications, intelligence, and surveillance capabilities. The Army's FY2003 budget request includes funds to accelerate FCS development.

Congressional Action. Congress has generally supported the Army's modernization plan, including plans for the interim combat brigade teams and development of the Future Combat System. But several issues have been contentious, including funding for the Crusader artillery system, and for some Army helicopter programs.

Crusader Artillery System. One of the most contentious issues in the defense budget this year is the fate of the Crusader self-propelled artillery system.

Advocates of defense transformation have long been critical of the program, arguing that the 40-ton system is not readily deployable. Supporters of the system respond that the weight has been reduced substantially, and that the system is needed to allow artillery to keep up with rapidly moving armored forces on the battlefield. On the eve of the House Armed Services Committee markup of the defense authorization bill, Deputy Secretary of Defense Wolfowitz informed committee members that DOD was ordering the Army to prepare an analysis of alternatives to the Crusader within 30 days, a step toward canceling the \$11 billion program. DOD officials later confirmed that Secretary Rumsfeld intends to terminate the project.

The program has considerable support in Congress, however, and in the authorization markup the House Armed Services Committee provided the full \$475.6 million for Crusader R&D that was in the Administration's February budget request. The Committee also included language in its report on the bill, though not in the statutory language of the measure, that prohibits a cut in funding until after a more extensive, formal analysis of alternatives is completed, which likely would not be until April 2003. This prompted the White House to threaten a presidential veto any bill if it includes any statutory provisions limiting the Administration's ability to cancel the program. The Rules Committee did not permit any floor amendments to reduce Crusader funding. On May 29, the Administration formally submitted an amendment to its defense budget request asking Congress to allocate the Crusader funding to other Army R&D programs, including the Future Combat System, the Excalibur precision artillery projectile, the Army tactical unmanned aerial vehicle, and a new precision guided mortar munition.

When it marked up its version of the authorization bill on May 9, the Senate Armed Services Committee deferred action pending a committee hearing on the Crusader on May 16. The reported bill includes \$475.6 million for Crusader. But when reporting the bill, committee Chairman Carl Levin said that the committee might offer an amendment to reduce funding when the bill is on the floor. Later, Senator Levin said that DOD's civilian leadership had not given the Army adequate time to review the alternatives to the Crusader that civilian officials supported.

On June 13, the Senate Armed Services Committee held a closed session to consider action on the Crusader. The committee approved an amendment that would fence Crusader funding for 30 days after the bill is signed into law and require the Army to complete a study of alternatives during that time. Subsequently the measure would permit the Secretary of Defense to submit a request to the congressional defense committees to reprogram the money into other Army indirect fire weapons development. Senator Levin proposed the committee amendment on the floor on June 19. Senator Warner then offered a second degree amendment to permit the Secretary of Defense to allocate funds to other development programs without seeking congressional permission through a reprogramming request. The Warner amendment was agreed to by unanimous consent, and the Levin amendment, as amended by Warner, was subsequently approved by a vote of 96 to 3.

The House Appropriations Committee agreed to terminate the Crusader program and to fund the alternatives that the Administration proposed in its May 29 budget amendment. But the committee also said that development of an alternative indirect fire system must be coupled with development of an appropriate platform to carry a

new cannon. The committee therefore added \$173 million to develop a platform and new munitions and specifically earmarked funds for that purpose in a general provision. The general provision also requires a system to be delivered by 2008.

UH-60, CH-47, and TH-67 Helicopters. The bills acted on to date take different action on several Army helicopter programs. The House authorization bill adds \$115 million for 8 additional UH-60 Blackhawk utility helicopters and one simulator and specifies what versions to buy, the Senate authorization adds \$96.7 million for 9 aircraft in accordance with Army priorities, and the House appropriations bill adds funds for 4 helicopters and a simulator. Funding for the CH-47 cargo helicopter appears to be potentially more contentious. The House authorization adds \$13.5 million to the on-going modification program for crashworthy seats. The Senate authorization as reported had \$4 million for crashworthy seats, but this was reduced in floor action as offsets for other programs. The House appropriations bill adds \$45 million to the modification plan to increase the production rate and instructs the Army to plan to upgrade all CH-47s to the most modern “F” version over the next several years. The House authorization and appropriations bills add funds for 6 TH-67 training helicopters – the Senate authorization provides no funds.

Comanche Helicopter. Though the fate of the Comanche helicopter program is not immediately at issue, it has also been a target of criticism from transformation advocates. Last year, the program cost increased, and the development plan was restructured and projected procurement delayed. DOD is reportedly considering cancellation of the Comanche as one of a number of steps to reduce the procurement “bow wave” at the end of the decade. In its report on the defense appropriations bill, the House Appropriations Committee warned that its support for the Comanche program is in jeopardy because of delays and cost growth, and the committee urged the Army to begin exploring low-cost alternatives.

Other Army Weapons Programs. There are a number of significant differences between the various bills on several other Army programs. The House appropriations bill eliminates funds for the Wide Area Munitions program and instructs DOD to terminate it. The House authorization and appropriations bills add \$60 million for Bradley fighting vehicle upgrades for the National Guard, the Senate authorization adds no money. The House authorization also adds \$45 million to upgrade tank recovery vehicles for the National Guard. The House bills both add money for up-armored HMMWVs. The House bills both cut money for ATACMs Block II missiles, but the House authorization adds back money to upgrade some Block I missiles. The House authorization adds \$61 million for SINGCARS radios and the House appropriations adds \$17 million. The Senate authorization, however, cuts \$22.1 million that was requested for the program in the DERF. Both House bills shift funds for PAC-3 anti-aircraft missile procurement from the Army to the Missile Defense Agency, but the Senate authorization does not.

Table 9. Congressional Action on Major Army Acquisition Programs
(amounts in millions of dollars)

	Request			House Authorization			Senate Authorization			House Appropriation		
	Procurement		R&D	Procurement		R&D	Procurement		R&D	Procurement		R&D
	#	\$	\$	#	\$	\$	#	\$	\$	#	\$	\$
RAH-66 Comanche	-	-	914.9	-	-	914.9	-	-	914.9	-	-	914.9
UH-60 Blackhawk	12	180.2	-	20	295.5	-	21	276.5	-	16	269.4	-
TH-67 Creek Training Helos.	-	-	-	6	9.6	-	-	-	-	-	9.6	-
CH-47 Upgrades	-	403.2	-	-	416.7	-	-	407.2	-	-	458.2	-
AH-64 Mods	-	93.6	-	-	132.6	-	-	93.6	-	-	96.9	-
AH-64D Apache Longbow	-	895.5	-	-	895.5	-	-	895.5	-	-	895.5	-
Bradley Base Sustainment	-	397.1	-	-	457.1	-	-	397.1	-	-	457.1	-
M-1 Abrams Mods/Upgrades	-	691.4	-	-	691.4	-	-	691.4	-	-	679.2	-
Interim Armored Vehicle	332	811.8	-	332	811.8	-	332	811.8	-	332	772.0	39.8
Crusader	-	-	475.6	-	-	475.6	-	-	-	-	-	-
Future Combat System	-	-	313.1	-	-	313.1	-	-	418.1	-	-	427.6
Hellfire Missiles	1,797	184.4	-	-	224.4	-	1,797	184.4	-	1,797	184.4	-
SINGCARs radios	-	52.2	-	-	121.3	-	-	30.1	-	-	72.2	-
Wide Area Munition	-	12.5	-	-	12.5	-	-	6.5	-	-	-	-
ATACMS Upgrade	-	58.8	-	-	70.4	-	-	58.8	-	-	32.4	-
HMMWV	-	196.8	-	-	227.9	-	-	196.8	-	-	204.8	-
FMTV (medium trucks)	-	681.4	-	-	681.4	-	-	681.4	-	-	681.4	-
FMHV (heavy trucks)	-	242.8	-	-	251.8	-	-	251.8	-	-	252.8	-

Source: H.Rept. 107-436; S.Rept. 107-151; H.Rept. 107-532.

Navy Shipbuilding

The pace of Navy shipbuilding has been a major focus of attention in Congress this year. The FY2003 budget request includes funds for five new ships, far short of the 8.5 ships per year needed, in principle, to sustain a fleet of 300 ships, which has long been the Navy's goal.

Congressional Action. The House Armed Services Committee added \$810 million to procure one additional ship, a DD-51 destroyer, in FY2003, provided the Justice Department reaches a settlement with General Dynamics Corporation in the long-standing A-12 termination lawsuit. The tentative settlement would provide \$385 million in advance procurement for Virginia-class submarine acquisition. It has since been reported that the Justice Department has rejected the General Dynamics

settlement proposal, though negotiations are continuing. If the settlement is not agreed to, the \$810 million would be distributed among several shipbuilding programs, including \$415 million for Virginia class submarine advance procurement, \$210 million for cruiser conversion advance procurement, and \$185 million for a nuclear submarine refueling overhaul. The committee also added funds to accelerate procurement of the next aircraft carrier, the CVN(X). The Navy plan to procure the ship had slipped by one year, with half the funding to be requested in FY2007 and the remainder in FY2008. The committee added \$229 million in advance procurement to accelerate production and instructed the Navy wants to move the start date back to FY2006.

The Senate Armed Services Committee also added a significant amount for Navy shipbuilding, including \$690 million that Senator Levin said was transferred from missile defense R&D. The committee additions include \$415 million in advance procurement for Virginia-class attack submarines, \$200 million for an additional submarine refueling overhaul, \$150 million in advance procurement for LPD-17 amphibious ships, and \$125 million in advance procurement for DDG-51 destroyers. Like the House Armed Services Committee, the Senate Armed Services Committee provided funds to accelerate CVN(X) procurement.

The House Appropriations Committee took a substantially different approach to aircraft carrier procurement. Rather than provide money to accelerate CVN(X) procurement, the committee added \$250 million for the CVN-77 carrier, which is now being built, and instructed the Navy to incorporate a more advanced radar and other electronic systems into the ship as a transition to the CVN(X). The committee did not add money for other major shipbuilding programs, and it eliminated \$253 million requested for the LHD-8 amphibious assault ship – this ship was started in FY2001 and is being incrementally funded through FY2006.

Table 10. Congressional Action on Major Navy Shipbuilding Programs
(amounts in millions of dollars)

	Request			House Authorization			Senate Authorization			House Appropriation		
	Procurement		R&D	Procurement		R&D	Procurement		R&D	Procurement		R&D
	#	\$	\$	#	\$	\$	#	\$	\$	#	\$	\$
Virginia Class Submarine	1	1,512.7	238.3	1	1,512.7	238.3	1	1,512.7	238.3	1	1,490.7	238.3
Virginia Class Sub. Adv. Proc.	-	706.3	-	-	706.3	-	-	1,121.3	-	-	706.3	-
Submarine Refueling Overhaul	1	271.3	-	1	271.3	-	2	471.3	-	-	231.3	-
Missile Submarine Conversion	2	825.3	-	2	825.3	-	2	825.3	-	2	825.3	-
CVN-77 Aircraft Carrier	-	-	91.7	-	-	91.7	-	-	91.7	-	250.0	91.7
CVN(X) Aircraft Carrier Adv. Proc.	-	243.7	268.0	-	472.7	268.0	-	472.7	268.0	-	243.7	243.0
DDG-51 Destroyer	2	2,295.5	300.7	2	2,295.5	310.7	2	2,295.5	300.7	-	2,273.0	320.7

	Request			House Authorization			Senate Authorization			House Appropriation		
	Procurement		R&D	Procurement		R&D	Procurement		R&D	Procurement		R&D
	#	\$	\$	#	\$	\$	#	\$	\$	#	\$	\$
DDG-51 Destroyer Adv. Proc.	-	74.0	-	-	74.0	-	-	199.0	-	-	74.0	-
LPD-17 Amphibious Transport	1	596.5	10.1	1	596.5	10.1	1	596.5	10.1	1	596.5	10.1
LPD-17 Adv. Proc.	-	8.0	-	-	8.0	-	-	158.0	-	-	8.0	-
LHD-8 Amphibious Assault Ship	-	253.0	-	-	253.0	-	-	243.0	-	-	-	-
Prior Year Shipbuilding Costs	-	644.9	-	-	644.9	-	-	644.9	-	-	644.9	-
Shipbuilding Initiative*	-	-	-	-	810.0	-	-	-	-	-	-	-
DD (X) Destroyer	-	-	960.5	-	-	962.5	-	-	973.5	-	-	885.5

Sources: H.Rept. 107-436; S.Rept. 107-151; H.Rept. 107-532.

***Note:** Shipbuilding Initiative money in the House bill is for one additional DD-51 destroyer (\$810 million) or for Virginia class submarine advance procurement (\$415 million), cruiser conversion advance procurement (\$210 million) and a nuclear submarine refueling overhaul (\$185 million).

Aircraft Programs

Funding for several major aircraft programs is included in the FY2003 Administration request, including Marine Corps V-22 tilt rotor aircraft development and procurement; Air Force F-22 fighter development and procurement; Air Force and Navy F-35 Joint Strike Fighter development; Navy F/A-18E/F multirole fighter procurement; and C-17 cargo aircraft procurement. The Navy has reportedly been considering reducing future planned F-35 procurement, but this has not affected congressional support for the program to date. It could, however, drive up unit procurement costs, which may affect support for the program in the future.

Congressional Action. Both the House and Senate Armed Services Committees approved requested funding for most major aircraft programs, including the F-22, F-35, V-22, and C-17. The House Armed Services Committee added funds for a few lower profile programs, including trainer aircraft, Navy helicopters, and F-15 communications upgrades. The Senate Armed Services Committee added funds to procure an additional 4 F/A-18EF fighters for the Navy and Marine Corps. Both committees added funds for EA-6B electronic warfare aircraft upgrades.

C-17 Funding Profile. One rather technical, but potentially significant issue this year is whether the funding approach that the Air Force has proposed for future C-17 procurement sets a precedent that would erode DOD policies designed to promote long-term fiscal discipline. In the past, DOD typically requested enough money to procure a specific number of fully equipped end-items – funding requested for 12 C-17 aircraft, for example, would be sufficient to buy 12 deployable aircraft. This year, however, the Air Force is requesting only enough money to finance

progress payments on a new five-year contract for multi-year procurement of the aircraft. The effect is to reduce amounts requested early in the multi-year contract and increase costs in the later years. This is technically at odds with longstanding DOD policy, which calls for full funding of the cost of end-items being requested in any given year, and it is the first time a significant breach of the full funding policy has occurred in an area apart from Navy shipbuilding. (For an extensive discussion, see Ronald O'Rourke and Stephen Daggett, *Defense Procurement: Full Funding Policy—Background, Issues, and Options for Congress*, CRS Report RL31404.) The House Armed Services Committee approved the requested C-17 procurement profile, but warned DOD against using this funding approach in the future. The House Appropriations Committee also rejected the Air Force approach and required the Air Force to use C-17 funding in FY2004 to procure complete aircraft. The committee also instructed the Defense Department to restructure future funding plans for the C-17 to use full funding.

Tanker Aircraft Leasing. Last year, the conference report on the defense appropriations bill included a provision allowing the Air Force to pursue negotiations with aircraft manufacturers to lease tanker aircraft for a ten year period. The provision was structured so that the aircraft would be returned to the manufacturer after the lease expired. As a result, the lease is considered an “operating lease” rather than a “lease-purchase” agreement, so that only the annual cost of actual payments on the lease would be scored in the Air Force budget on a year-to-year basis – otherwise, the full cost of the contract would have to be scored in the years when the money would be obligated. Boeing has offered to lease 100 767 aircraft for this purpose, though the Air Force has also considered offers from some other manufacturers, including the European Airbus consortium.

Senator McCain and some others have objected to the leasing provision, arguing that it will cost the government more in the long run than simply procuring additional tanker aircraft. Recently both the Office of Management and Budget and the Congressional Budget Office have prepared analyses which project considerably higher costs for leasing than for regular procurement. (The text of the CBO letter is available electronically at [<ftp://ftp.cbo.gov/34xx/doc3413/tankers.pdf>]). The Senate Armed Services Committee approved an amendment proposed by Senator McCain that would require Congress to authorize and appropriate funds for any tanker lease agreement. Most recently, the Air Force has reported that it is very close to reaching an agreement with Boeing on the tanker leases.

Table 11. Congressional Action on Major Aircraft Programs
(amounts in millions of dollars)

	Request			House Authorization			Senate Authorization			House Appropriation		
	Procurement		R&D	Procurement		R&D	Procurement		R&D	Procurement		R&D
	#	\$	\$	#	\$	\$	#	\$	\$	#	\$	\$
Navy Aircraft												
V-22 Osprey	11	1,106.0	420.1	11	1,106.0	420.1	11	1,096.8	420.1	11	1,086.0	420.1
F-35 Joint Strike Fighter	-	-	1,727.5	-	-	1,727.5	-	-	1,727.5	-	-	1,727.5
F/A-18E/F	44	3,159.5	204.5	44	3,159.5	204.5	48	3,399.5	219.5	44	3,162.5	214.5
JPATS Trainer	-	-	-	10	60.0	-	6	46.0	-	-	15.0	-
E-2C Hawkeye	5	295.5	19.0	5	295.5	19.0	5	295.5	19.0	5	295.5	19.0
T-45	8	221.4	-	8	231.4	-	8	221.4	-	8	221.4	-
MH-60S	15	372.2	23.2	19	460.2	23.2	15	372.2	23.2	15	367.2	23.2
MH-60R	-	116.2	89.0	-	116.2	89.0	-	121.2	89.0	-	116.2	96.0
EA-6B Prowler mods	-	223.5	74.7	-	327.5	87.7	-	337.5	74.7	-	229.5	75.6
P-3 mods	-	102.7	-	-	144.7	-	-	116.7	-	-	143.6	-
KC-130J Aircraft (DERF)*	4	334.0	-	3	249.0	-	4	334.0	-	4	334.0	-
Air Force Aircraft												
F-22	23	4,621.1	627.3	23	4,621.1	627.3	23	4,621.1	627.3	23	4,621.1	808.5
E-8C Joint STARS	1	279.3	55.5	1	279.3	68.2	1	279.3	55.5	1	279.3	67.5
F-16C/D mods.	-	265.0	81.3	-	325.0	81.3	-	348.0	81.3	-	270.0	85.3
F-15 mods.	-	232.5	81.7	-	291.5	81.7	-	232.5	81.7	-	259.9	81.7
JPATS Trainer	35	211.8	-	35	211.8	-	35	211.8	-	35	211.8	-
C-17 Globemaster	12	3,698.5	157.2	12	3,698.5	157.2	12	3,650.1	157.2	12	3,708.0	157.2
F-35 Joint Strike Fighter	-	-	1,743.7	-	-	1,743.7	-	-	1,743.7	-	-	1,743.7
B1-B Bomber	-	98.0	160.7	-	98.0	160.7	-	98.0	160.7	-	98.0	78.7
B-2 Stealth Bomber*	-	72.1	275.3	-	104.1	292.3	-	97.3	258.3	-	104.1	315.3

Sources: H.Rept. 107-436; S.Rept. 107-151; H.Rept. 107-532.

Notes: Funding for 4 KC-130Js was requested in the Defense Emergency Response Fund (DERF). The House funded 3 aircraft in H.R. 4546 and transferred \$83.5 million for one aircraft to H.R. 4547. B-2 request includes \$50 million for R&D requested in the DERF. The Senate transferred \$25.2 million from B-2 R&D to procurement.

Missile Defense

The Administration requested \$7.8 billion for missile defense programs in FY2003. The request includes

- \$3.2 billion for mid-course defenses, including funds for the National Missile Defense program to develop ground-based systems to protect the entire United States, and the Navy Theater Wide program, which is a theater defense system to be based on navy ships;
- \$1.1 billion for battle management and related support programs;
- \$935 million for the ground-based Theater High Altitude Area Defense (THAAD) system;
- \$858 million for Patriot PAC-3 development and procurement;
- \$797 million for boost phase defense systems, including the Airborne Laser (ABL) and the Space-Based Laser (SBL); and
- \$373 million for space-based sensors, including the Space-Based Infrared System-Low (SBIRS-Low);
- an additional \$815 million in the Air Force budget for the Space-Based Infrared System-High (SBIRS-High).

Recently, the SBIRS-High program has had very large cost increases, and the program was under review because the cost growth violated Nunn-McCurdy cost cap provisions. DOD decided to continue the program, however, though its status remains a matter of concern. There continues to be extensive debate in Congress about the status of the National Missile Defense program, which the Administration has tried to accelerate, and about space-based systems like the SBL.

Congressional Action. The House Armed Services Committee generally supported the Administration's request. The committee reduced funding for the ABL (now funded under the title "Air-Based Boost" defense) by \$77.5 million, since a second test aircraft, that was included in the request, may not yet be needed. The committee distributed the savings to a number of other missile defense programs. The House Armed Services Committee also refused to fund Patriot PAC-3 or Medium Extended Air Defense System (MEADS) development in the Army budget, as requested, but instead shifted the money back to the Missile Defense Agency.

During the House Armed Services Committee markup, Representative Spratt offered an amendment to reduce funding for the SBL and for space-based kinetic interceptor development and to transfer the savings to the PAC-3 and Arrow theater missile defense programs. The amendment was defeated in the committee. On the floor, the House approved an alternative offered by Representative Hunter to add funds for PAC-3 and Arrow to be financed from funds available to the Missile Defense Agency, but without specifying the offsetting source of funds.

In committee markup, Representative Spratt also offered an amendment to prohibit deployment of nuclear tipped interceptor missiles for missile defense, which was rejected. On the floor, Representative Spratt offered a motion to recommit the bill to committee with instructions to prohibit nuclear interceptor development, and that motion was defeated.

The Senate Armed Services Committee reduced overall missile defense funding by more than \$800 million (see **Table 13** for a detailed tabulation of funding), prompting several Republicans on the committee to vote against reporting the bill. Most of the reductions were in systems engineering and other support activities, which the committee argued are not adequately justified in support material provided by DOD. This became a major issue on the Senate floor. The Senate Armed Services Committee also reduced ABL funding by \$135 million and SBIRS-High funding by \$100 million.

In addition, the committee approved several provisions designed to require stricter oversight of missile defense programs and adherence to more traditional acquisition procedures in the development programs. One provision would require the independent Director of Operational Test and Evaluation to conduct an annual assessment of missile defense programs. Another provision requires the Secretary of Defense to provide annual schedule and cost estimates for major elements of the program to Congress.

On June 12, Secretary Rumsfeld send at letter to Senator Levin opposing the Senate Armed Services Committee reduction in missile defense funding and objecting to the committee's provisions regarding acquisition procedures. The committee's measures, said Rumsfeld, "would impose a number of burdensome statutory restrictions that would undermine our ability to manage the program effectively." The Secretary said he would recommend a veto if a final authorization bill includes either the Senate cuts in missile defense funding or the Senate provisions regarding management of the program. OMB's June 19 "Statement of Administration Policy" repeats the veto threat.

On June 26, the Senate approved an amendment offered by Senator Warner, with a second degree amendment by Senator Levin, that would likely restore some or all of the missile defense funding that the committee cut. The amendment would permit the President to allocate up to \$815 million of anticipated inflation savings either to missile defense or to counter-terrorism programs. The Levin amendment stipulates that priority should be given to counter-terrorism. The Senate did not consider any measures to revise committee provisions on program management.

Also on June 26, the Senate approved an amendment proposed by Senators Feinstein and Stevens to prohibit development or deployment of nuclear armed interceptors for missile defense. This measure is similar to the Spratt amendment that the House turned down.

The House Appropriations Committee made a number of changes in requested missile defense funding. The committee denied funding for Navy sea based terminal defense, a replacement for the terminated Navy Area Defense program, saying that DOD had not presented a plan for using the research funds. The committee also denied funding for the Russian-American Observation Satellites Program (RAMOS) because the Russian government has not yet responded to a U.S. proposal to implement the program. The committee said it would revisit the issue in conference if the two governments sign an agreement. The committee also cut funding for sea-based and space-based boost phase defenses, saying that requested large increases in funding were not justified in view of requirements for near term programs like the

PAC-3 system. The committee added \$30 million for additional PAC-3 testing and required a report on planned testing of the Theater High Altitude Area Defense (THAAD) system.

Table 12. Congressional Action on Missile Defense Funding by Program Element and Project

(millions of dollars)

Program Element/Project	FY2003 Request	House Auth.	Change to Request	Senate Auth.	Change to Request	House Approp.	Change to Request
Missile Defense Agency R&D							
0603175C BMD Technology							
6010 Advanced Technology Development	118.9	118.9	-	142.6	+23.7	124.9	+6.0
6090 Program Operations	2.9	2.9	-	2.9	-	2.9	-
0603880C BMD System							
BM/C2	112.8	112.8	-	112.8	-	112.8	-
1020 Communications	12.0	12.0	-	12.0	-	12.0	-
1030 Targets & Countermeasures	128.2	128.2	-	128.2	-	128.2	-
1050 Systems Engineering & Integration	371.1	371.1	-	231.1	-140.0	371.1	-
1060 Test & Evaluation	382.0	382.0	-	412.0	+30.0	382.0	-
1070 Producibility & Manufacturing Technology	21.9	21.9	-	21.9	-	21.9	-
1090 Program Operations	37.9	37.9	-	37.9	-	37.9	-
Wide bandwidth technology program	-	10.0	+10.0	-	-	5.0	+5.0
Battlespace environment and signatures toolkit	-	10.0	+10.0	-	-	-	-
High Energy Laser Transmitters for LADAR	-	-	-	-	-	5.0	+5.0
General Reduction, Lack of Justification	-	-	-	-222.0	-222.0	-	-
0603881C Terminal Defense Segment							
2015 Medium Extended Air Defense System (MEADS)	-	117.7	+117.7	-	-	117.7	+117.7
2016 Israeli Arrow Program	65.7	156.7	+91.0	105.7	+40.0	129.7	+64.0
2022 Sea-Based Terminal	90.0	90.0	-	90.0	-	-	-90.0
2090 Program Operations	14.2	14.2	-	0.2	-14.0	14.2	-
0603882C Midcourse Defense Segment							
3011 Block 2004 Test Bed	533.9	533.9	-	533.9	-	533.9	-
3012 Ground-Based Midcourse Defense (GMD)	2,075.0	2,075.0	-	2,075.0	-	2,075.0	-
3020 Sea-Based Midcourse Defense (SMD)	426.6	426.6	-	426.6	-	426.6	-

Program Element/Project	FY2003 Request	House Auth.	Change to Request	Senate Auth.	Change to Request	House Approp.	Change to Request
3050 Segment Common Systems Engineering and Integration	95.0	95.0	-	-	-95.0	95.0	-
3090 Program Operations	64.5	64.5	-	0.5	-64.0	64.5	-
Aegis LEAP interceptor flight demonstration	-	27.0	+27.0	-	-	-	-
Long-range X-band and S-band discrimination radar development	-	25.0	+25.0	-	-	-	-
High Power Discriminator Radar Development	-	-	-	40.0	+40.0	-	-
Small Kill Vehicle Technology Development	-	-	-	10.0	+10.0	-	-
Concept Development, Studies, and Risk Reduction	-	-	-	-52.0	-52.0	-	-
0603883C Boost Defense Segment							
4020 Sea-Based Boost	89.6	89.6	-	34.6	-55.0	69.6	-20.0
4030 Air-Based Boost	598.0	520.5	-77.5	463.0	-135.0	538.0	-60.0
4040 Space-Based Boost	54.4	54.4	-	24.4	-30.0	44.4	-10.0
4043 Space-Based Laser	34.8	34.8	-	24.8	-10.0	34.8	-
4090 Program Operations	20.1	20.1	-	0.1	-20.0	20.1	-
0603884C Sensors							
5041 Space-based Infrared System (SBIRS) Low	293.9	293.9	-	238.9	-55.0	293.9	-
5049 Russian-American Observation Satellite Program (RAMOS)	69.1	69.1	-	79.1	+10.0	-	-69.1
5050 System Engineering and Integration	-	-	-	-	-	-	-
5060 Test and Evaluation	-	-	-	-	-	-	-
5090 Program Operations	10.4	10.4	-	0.4	-10.0	10.4	-
Airborne Infrared Surveillance (AIRS) System	-	-	-	22.0	+22.0	-	-
Dem/Val Test and Evaluation Transfer	-	-	-	-37.0	-37.0	-	-
0604861C THAAD System							
2011 Theater High Altitude Area Defense (THAAD)	932.2	932.2	-	892.2	-40.0	932.2	-
2090 Program Operations	-	-	-	-	-	-	-
0604865C Patriot PAC3 - EMD	-	150.8	+150.8	-	-	180.8	+180.8
0604867C Navy Area - EMD	-	-	-	-	-	-	-
0901585C Pentagon Reservation Maintenance Fund	7.5	7.5	-	7.5	-	7.5	-
0901598C Management Headquarters	27.9	27.9	-	27.9	-	27.9	-
General Reduction	-	-135.0	-135.0	-	-	-	-

Program Element/Project	FY2003 Request	House Auth.	Change to Request	Senate Auth.	Change to Request	House Approp.	Change to Request
Total, R&D Missile Defense Agency (MDA)	6,690.7	6,909.7	+219.0	5,887.4	-803.3	6,820.2	+129.4
0604865A - Patriot PAC-3 - EMD	150.8	-	-150.8	150.8	-	-	-150.8
0603869A - Meads Concepts - Dem/Val	117.7	-	-117.7	69.7	-48.0	-	-117.7
0203801A - Patriot PAC-3 Product Improvement	43.7	43.7	-	43.7	-	43.7	-
Total, R&D Army	312.2	43.7	-268.5	264.2	-48.0	43.7	-268.5
Total, R&D Missile Defense Agency and Army	7,002.9	6,953.4	-49.5	6,151.6	-851.3	6,863.9	-139.1
Procurement							
Patriot Mod	151.3	151.3	-	151.3	-	151.3	-
Patriot Mod Initial Spares	40.7	40.7	-	40.7	-	40.7	-
Patriot PAC-3	471.7	536.7	+65.0	471.7	-	536.7	+65.0
Total, Procurement	663.7	728.7	+65.0	663.7	-	728.7	+65.0
Military Construction							
PE 0603880C, BMD System MILCON	-	-	-	-	-	-	-
PE 0603881C, Terminal Defense MILCON	23.4	23.4	-	23.4	-	NA	-
PE 0603882C, Midcourse Defense MILCON	-	-	-	-	-	NA	-
Total, Military Construction	23.4	23.4	-	23.4	-	NA	-
Total, R&D, Procurement, MilCon	7,690.0	7,705.5	+15.5	6,838.7	-851.3	7,592.6	-97.5
Related Program							
0604441F Space Based Infrared System (SBIRS) High	814.9	814.9	-	814.9	-	744.9	-70.0

Sources: Department of Defense, FY2003 RDT&E Program Descriptive Summaries; H.Rept. 107-436; S.Rept. 107-151, H.Rept. 107-532.

Strategic Nuclear Weapons Policy

In January, the Administration completed a congressionally mandated Nuclear Posture Review and submitted a classified report on the review, with an unclassified summary, to Congress. Parts of the classified report were later leaked to the press, prompting considerable public debate about several issues, including the potential use of nuclear weapons against non-nuclear states that use or threaten to use non-nuclear weapons of mass destruction, plans to shorten the time needed to resume nuclear testing, and potential development of new nuclear weapons for missions such as destruction of deeply buried and hardened targets. The review also reaffirmed Administration plans to reduce offensive nuclear warhead numbers. Later, on May 13, the White House announced an agreement with Russia on a treaty to reduce strategic offensive force levels to between 1,700 and 2,200 warheads.

Congressional Action. In the House Armed Services Committee markup, Representative Tauscher offered an amendment to limit strategic nuclear force levels to 1,700. The proposal was rejected in committee. On the floor, the House approved a Tauscher amendment to require a report on options for achieving a level of 1,700 to 2,200 warheads. Representative Spratt offered an amendment, also rejected in committee, to require one-year advance notification of a decision to resume nuclear testing. The Rules Committee did not permit a floor vote on the amendment. The full House also rejected an amendment offered by Representative Markey to prohibit development of a nuclear earth penetrator weapon.

The Senate Armed Services Committee version of the authorization eliminates \$15.5 million requested in the Department of Energy weapons budget for development of a “Robust Nuclear Earth Penetrator” weapon and requires a detailed report on the proposed program. On July 26, the Senate approved an amendment to the bill, offered by Senators Feinstein and Stevens, to prohibit development or deployment of nuclear armed interceptors for missile defense.

The Senate bill also includes a provision that would require the Secretary of Energy to request funds before beginning research and development or production of any new or modified nuclear weapon. The provision also requires a specific authorization for a new or modified nuclear weapon program before funds could be obligated or expended.

Environmental Restrictions on DOD Training

The Defense Department has voiced increasing concern in recent years about the effect on training of environmental regulations. Shortly before the House Armed Services Committee markup of the defense authorization bill, the Administration proposed legislation to exempt DOD training activities from the requirements of several environmental statutes ranging from the Endangered Species Act to the Clean Air Act.

Congressional Action. The House-passed version of the authorization bill addresses exemptions or waivers for DOD of application of the Endangered Species Act, the Migratory Bird Treaty Act, and the Wilderness Act to areas used for military

training exercises. On the Endangered Species Act, Section 312 of the House bill would allow DOD to substitute its own Integrated Natural Resource Management Plan to protect endangered species rather than having installations designated as a critical habitat. DOD would, however, still be prohibited from taking any actions that would harm endangered or threatened species. In designating new critical habitats, the bill would also require that the effect on national security, as well as the economic impact, must be considered.

Section 311 of the House bill provides that in the case of military training activities, DOD would not be subject to the part of the Migratory Bird Treaty Act that designates certain types of activities as unlawful. According to the committee report, this provision was intended to permit DOD to carry out military exercises even if they might unintentionally harm migratory birds. The language adopted would exempt DOD more broadly from any activity deemed to be unlawful under the Act.

The House bill also permits DOD to conduct training activities and have emergency access to the Utah Test and Training Range, despite the fact that a portion of that range has been designated as a wilderness area with certain restrictions on noise and disturbances. The House bill also includes provisions that would designate several areas owned by the Bureau of Land Management that are adjacent to the Utah Test and Training Range as wilderness areas although DOD's training activities in these areas would also not be covered by Wilderness Act restrictions. (For a discussion of these and other provisions, see CRS Report RL31456, *Defense Cleanup and Environmental Programs: Authorization and Appropriations for FY2003*, by David Michael Bearden, and CRS Report RL31415, *The Endangered Species Act, Migratory Bird Treaty Act, and Department of Defense Readiness Activities: Current Law and Legislative Proposals*, by Pamela Baldwin.)

The House Armed Services Committee did not address other environmental measures that DOD included in its legislative proposal. In the House Armed Services Committee markup, Representative James Maloney offered an amendment to remove the environmental waiver provisions, but the proposal was rejected. The Rules Committee did not permit a similar amendment proposed by Representatives Rahall, Dingell and Maloney to be offered on the floor.

The Senate Armed Services Committee did not address these environmental issues in its version of the authorization bill. Instead, it referred the Administration's proposals to the Environment and Public Works Committee, which recently held a hearing on those proposals. The Senate bill authorizes \$20 million to allow the Secretary of Defense to acquire lands adjacent to military installations to serve as a buffer zone and provide additional natural habitat areas for endangered species in areas where animals have moved to military installations as a result of development.

Cap on Military Personnel in Colombia

Under current law, there is a cap of 400 on the number of U.S. military personnel who can operate in Colombia. The cap specifically excludes personnel serving diplomatic functions or performing emergency missions. The House authorization bill includes a provision that would establish a cap of 500 on the

number of U.S. military personnel in Colombia who are supported or maintained by Department of Defense funds. The measure also provides the Secretary of Defense may waive the cap for national security reasons and must inform Congress within 15 days of a waiver.

Base Realignment and Closure

Last year, Congress approved a measure that will permit a new round of military base closures in 2005, following procedures that were used in earlier rounds in 1991, 1993, and 1995. In the House Armed Services Committee markup of the authorization bill, Representative Taylor offered an amendment to repeal last year's base closure provisions. The committee defeated the amendment by a vote of 38-19. The Rules Committee did not allow the amendment to be offered on the floor, which was a matter of considerable contention when the bill was debated.

Abortions in Military Hospitals Overseas

Abortions are readily available in the United States, but are often not available to U.S. personnel deployed abroad. Congress has perennially debated measures to allow abortions for U.S. military personnel at military hospitals overseas.

Congressional Action. In the House Armed Services Committee markup, the committee rejected an amendment by Representative Sanchez to allow abortions at U.S. military hospitals abroad; the full House rejected the proposal in a floor vote. On June 20 the Senate debated and on June 21 approved by a vote of 52-40 an amendment to the authorization bill by Senators Murray and Collins that would remove the prohibition on privately funded abortions at overseas military facilities.

Legislation

Congressional Budget Resolution

H.Con.Res. 253 (Nussle)

A concurrent resolution establishing the congressional budget for the United States Government for fiscal year 2003 and setting forth appropriate budgetary levels for each of fiscal years 2004 through 2007. Reported by the House Budget Committee (H.Rept. 107-376), March 15, 2002. Passed by the House, 221-209, March 20, 2002.

S.Con. Res. 100 (Conrad)

An original concurrent resolution setting forth the congressional budget for the United States Government for fiscal year 2003 and setting forth the appropriate budgetary levels for each of the fiscal years 2004 through 2012. Reported by the Senate Budget Committee, March 22, 2002. Written report filed (S.Rept. 107-141), April 11, 2002.

Defense Authorization

H.R. 4546 (Stump)

A bill to authorize appropriations for fiscal year 2003 for military activities of the Department of Defense, and for military construction, to prescribe military personnel strengths for fiscal year 2003, and for other purposes. Marked up and ordered to be reported by the House Armed Services Committee, May 1, 2002. Report filed (H.Rept. 107-436), May 3, 2002. Considered by the House and approved, with amendments (359-58), May 10, 2002. Laid before the Senate, Senate struck all after the enacting clause and substituted the language of S. 2514, and passed by the Senate by unanimous consent, June 27, 2002.

H.R. 4547 (Stump)

A bill to authorize appropriations for the costs of the war against terrorism. Considered by the House Armed Services Committee, May 1, 2002.

S. 2514 (Levin)

An original bill to authorize appropriations for fiscal year 2003 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes. Marked up and ordered to be reported by the Senate Armed Services Committee, May 9, 2002. Report filed (S.Rept. 107-151), May 15, 2002. Considered by the Senate, June 18, 19, 20, 21, 24, 25, 26, 27. Approved by the Senate as amended (97-2), June 27, 2002.

Defense Appropriations

H.R. 5010 (Lewis)

Making appropriations for the Department of Defense for the fiscal year ending September 30, 2003, and for other purposes. Marked up and reported by the House Appropriations Committee (H.Rept. 107-532), June 25, 2002. Considered by the House and approved as amended (413-18), June 27, 2002.

H.R. 5011 (Hobson)

Making appropriations for military construction, family housing, and base realignment and closure for the Department of Defense for the fiscal year ending September 30, 2003, and for other purposes. Marked up and reported by the House Appropriations Committee (H.Rept. 107-533), June 25, 2002. Considered by the House and approved, as amended (426-1), June 27, 2002.

S. 2709 (Feinstein)

An original bill making appropriations for military construction, family housing, and base realignment and closure for the Department of Defense for the fiscal year ending September 30, 2003, and for other purposes. Marked up and ordered to be reported by the Senate Appropriations Committee, June 27, 2002. Report filed (S.Rept. 107-202), July 3, 2002.

FY2002 Supplemental Appropriations

H.R. 4775 (C.W. Bill Young)

Making supplemental appropriations for the fiscal year ending September 30, 2002, and for other purposes. Reported by the House Appropriations Committee (H.Rept. 107-180), May 20, 2002. Considered by the House, May 22-23, 2002. Approved by the House (280-138), May 24, 2002. Measure laid before the Senate and Senate struck all after the enacting clause and substituted the language of S. 2551 to be used as original text, June 3, 2002. Cloture motions presented in the Senate, June 4, 2002. Cloture motion invoked (87-10), June 6, 2002. Approved by the Senate (71-22), June 7, 2002.

S. 2551 (Byrd)

An original bill making supplemental appropriations for further recovery from and response to terrorist attacks on the United States for the fiscal year ending September 30, 2002, and for other purposes. Marked up and ordered to be reported by the Senate Appropriations Committee, without written report, May 22, 2002. Written report filed (S.Rept. 107-156), May 29, 2002.

For Additional Reading

CRS Report RL31310: *Appropriations for FY2003: Military Construction*, by Daniel H. Else.

CRS Report RS21218, *Crusader XM2001 Self-Propelled Howitzer: Background and Issues for Congress*, by Edward F. Bruner and Steven R. Bowman.

CRS Report RL31456, *Defense Cleanup and Environmental Programs: Authorization and Appropriations for FY2003*, by David Michael Bearden.

CRS Issue Brief IB10062, *Defense Research: DOD's Research, Development, Test and Evaluation Program*, by John Dimitri Moteff.

CRS Report RL31415, *The Endangered Species Act, Migratory Bird Treaty Act, and Department of Defense Readiness Activities: Current Law and Legislative Proposals*, by Pamela Baldwin.

CRS Issue Brief IB93103, *Military Medical Care Services: Questions and Answers*, by Richard A. Best, Jr.

CRS Issue Brief IB10089, *Military Pay and Benefits: Key Questions and Answers*, by Robert L. Goldich.

CRS Issue Brief IB85159, *Military Retirement: Major Legislative Issues*, by Robert L. Goldich.

CRS Report RL31111, *Missile Defense: the Current Debate*, coordinated by Steven A. Hildreth and Amy F. Woolf.

CRS Report RS20535, *Navy Ship Procurement Rate and the Planned Size of the Navy: Background and Issues for Congress*, by Ronald O'Rourke.

CRS Report RS20643, *Navy CVNX Aircraft Carrier Program: Background and Issues for Congress*, by Ronald O'Rourke.

CRS Report RS21059, *Navy DD(X) Future Surface Combatant Program: Background and Issues for Congress*, by Ronald O'Rourke.

CRS Issue Brief IB94040, *Peacekeeping: Issues of U.S. Military Involvement*, by Nina Maria Serafino.

CRS Report RL31297, *Recruiting and Retention in the Active Component Military*, by Lawrence Kapp.

CRS Issue Brief IB92115, *Tactical Aircraft Modernization: Issues for Congress*, by Christopher Bolcom.

CRS Report RL31187, *Terrorism Funding: Congressional Debate on Emergency Supplemental Allocations*, by Amy Belasco and Larry Q. Nowels.

CRS Report RS21133, *The Nuclear Posture Review: Overview and Emerging Issues*, by Amy F. Woolf.

CRS Report RL31384, *V-22 Osprey Tilt-Rotor Aircraft*, by Christopher Bolkcom.

Appendix

Table A1. Congressional Action on Defense Authorization by Title
(budget authority in billions of dollars)

	Request	DERF Allocated	Request With DERF Allocated	House Author- ization	Change to Request	Senate Author- ization	Change to Request
Military Personnel	94.3	0.0	94.3	93.7	-0.6	94.4	+0.0
Operation and Maintenance	130.4	3.9	134.3	130.7	-3.7	130.2	-4.1
Defense Emergency Response Fund	20.1	10.0	10.0	0.0	-10.0	0.0	-10.0
Procurement	68.7	2.9	71.6	73.2	+1.6	72.2	+0.6
RDT&E	53.9	2.3	56.1	56.4	+0.3	56.4	+0.3
Military Construction	4.8	0.6	5.3	5.7	+0.4	6.0	+0.6
Family Housing	4.2	0.0	4.2	4.3	+0.0	4.2	-0.0
Revolving Funds/Other	1.9	0.3	2.3	0.9	-1.3	1.6	-0.6
General Provisions	0.0		0.0	0.0	+0.0	10.0	+10.0
Total DOD	378.2	20.1	378.2	364.9	-13.3	375.0	-3.3
Atomic Energy Defense Activities	16.4		16.4	16.3	-0.0	16.7	+0.3
Other Defense-Related Activities	1.7		1.7	1.6	-0.1	1.6	-0.1
Total National Defense	396.3		396.3	382.8	-13.5	393.2	-3.1

Sources: H.Rept. 107-436; S.Rept. 107-151.

Note: DERF allocation as shown by the Senate Armed Services Committee in S.Rept. 107-151.

Table A2. Congressional Action on Defense Appropriation by Title
(budget authority in billions of dollars)

	Request	DERF Allocated	Request With DERF Allocated	House Appro- priation	Change to Request
Military Personnel	94.2	0.0	94.3	93.4	-0.9
Operation and Maintenance	111.6	3.9	115.5	114.8	-0.8
Defense Emergency Response Fund	20.1	10.0	10.0	0.0	-10.0
Procurement	67.2	2.9	70.1	70.3	+0.2
RDT&E	53.7	2.3	56.0	57.8	+1.8
Revolving & Mgmt Funds	2.4	0.3	2.8	2.8	+0.0
Other DOD Programs	17.1	0.0	17.1	17.1	+0.0
Related Agencies	0.4		0.4	0.4	+0.0
General Provisions	0.0		0.0	-1.8	-1.9
Total DOD	366.8	19.5	366.8	354.7	-12.1

Sources: H.Rept. 107-532.

Note: DERF allocation as shown by the Senate Armed Services Committee in S.Rept. 107-151.