SECTION II – CURRENT OPERATIONAL PERFORMANCE

As stated Naval Power 21, the Navy and Marine Corps exist to control the seas, assure access and project power beyond the sea to influence events and advance American interests. Our battle force ships, aviation units and Marine forces provide the foundation for the National Military Strategy of shaping the international environment and responding to the full spectrum of crises. Our budget provides for operational levels which will maintain the high personnel and unit readiness necessary to conduct the full spectrum of joint military activities. The success of our Fleet in the war against terrorism attests to progress made in current readiness.

The role of the Navy and Marine Corps on the world stage is evident throughout the budget. From contributions to multilateral operations under United Nations/NATO auspices to cooperative agreements with allied Navies, international engagement efforts cross the entire spectrum of the Department's missions and activities. Naval requirements are often met through participation with allies and other foreign countries, in joint exercises, port visits, and exchange programs. Joint/international exercises planned for FY 2004 include Baltops, Cobra Gold, and Rapid Alliance.

Operational activities include drug interdiction, joint maneuvers, multi-national training exercises, humanitarian assistance (including natural disaster, medical, salvage, and search and rescue) and when called upon, contingency operations, such as in the Persian Gulf, the Balkans and Afghanistan/Northern Arabian Sea as part of Operation Enduring Freedom. On any given day, nearly 47,000 Sailors and 32,000 Marines on nearly 110 ships and bases are deployed to locations around the world. At times of heightened operations, including the Global War on Terrorism, these numbers can surge higher.

Chart 4 – Navy/Marine Corps Today

Current Navy operations:

• 133 Ships deployed
  ➤ 199 ships underway
• 12 Submarines Deployed
  ➤ 27 Submarines underway
5,476 activated reserves

Current Marine Corps operations:

• 3 MEUs deployed
  ➤ 2 MEUs pre-deployment
• 2 F/A 18-Squadrons deployed aboard CVs
• ~8,729 activated reserves

Chart 4 – Reflects Navy/Marine Corps operations as of 29 Jan 2003.

SHIP OPERATIONS

Battle Force Ships

The budget provides for a deployable Battle Force of 292 ships for FY 2004 as shown in table 3. This level will support 12 aircraft carrier battle groups and 12 amphibious ready groups.

In FY 2004, 6 ships (four Arleigh Burke Class Guided Missile Destroyers and two Fast Attack Submarines (one Virginia and one Seawolf class)) will be commissioned, while 15 ships (two Landing Ship Docks, two Fast Attack Submarines, two Ticonderoga Class Guided Missle Cruisers, five Spruance Class Destroyers, and 4 TAGOS MSC support ships) will be inactivated. Additionally, two more SSBNs are being converted to SSGNs in FY 2004.

Although operating tempo remains high and force structure drops temporarily below QDR goals, the current and projected plan does not in the main, affect the fleets' ability to fulfill deployment and program requirements.

Table 3
Department of the Navy
Battle Force Ships

	FY 2002	FY 2003	FY 2004
Aircraft Carriers	12	12	12
Fleet Ballistic Missile Submarines	18	16	14
Guided Missile (SSGN) Submarines	0	2	4
Surface Combatants	116	106	103
Nuclear Attack Submarines	54	54	54
Amphibious Warfare Ships	39	37	35
Combat Logistics Ships	33	33	33
Mine Warfare Ships	17	17	17
Support Ships	24	24	20
Battle Force Ships	**313**	**301**	**292**

OPTEMPO

Active Forces

For FY 2004, deployed ship operations are budgeted to maintain highly ready forces, prepared to operate jointly to perform the full-spectrum of military activities, and to meet forward deployed operational requirements and overseas presence commitments in support of the National Military Strategy.   The budget provides funds necessary to achieve the Department's operational tempo (OPTEMPO) goal of 54 underway days per quarter for deployed forces and 28 underway days per quarter for non-deployed forces as shown in Chart 5. The funding level supports the Global Naval Forces Presence Plan (GNFPP) in terms of carrier battle group (CVBG) and amphibious ready group (ARG) requirements, as required by national security policy. Costs for extraordinary contingency operations, funded through the Defense Emergency Response Fund appropriations in FY 2002, are not included in this budget.

Non-deployed OPTEMPO provides primarily for the training of fleet units when not deployed, including participation in individual unit training exercises, multi-unit exercises, joint exercises, refresher training, and various other training exercises. Non-deployed fleet OPTEMPO levels are considered the minimum required for maintaining a combat ready and rapidly deployable force.

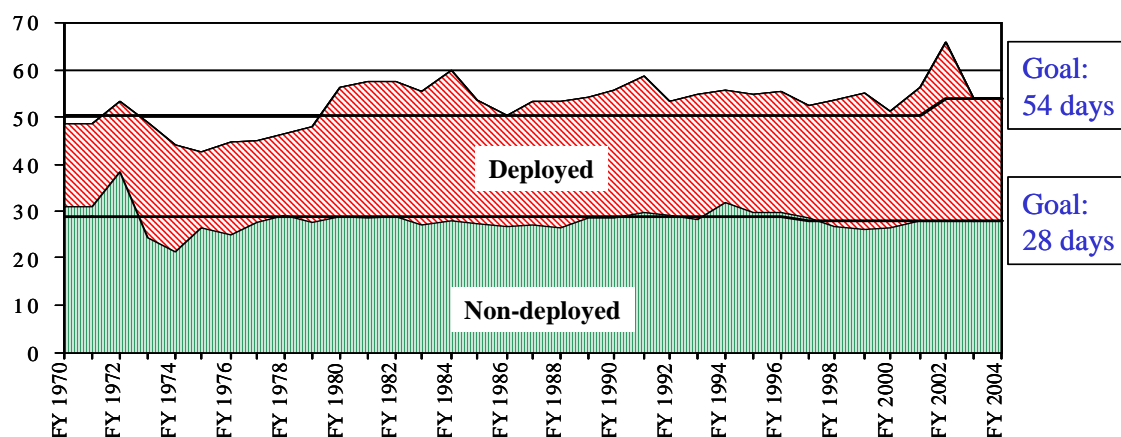## Chart 5 - Active Force OPTEMPO

Chart 5 illustrates historical and budgeted OPTEMPO. The horizontal lines are the deployed and non-deployed budgeted goals. Fluctuations from the goals reflect real world operations.

Reserve Forces

The Naval Reserve Force continues to actively augment and support the active force while achieving personnel tempo goals. In FY 2004, the Naval Reserve will consist of 15 battle force ships with 9 FFGs, 5 MCMs and 1 MHC. During FY 2004, the USS Crommelin (FFG-37) will be transferred from the active component to the Reserves, bringing the Reserve frigate inventory up to nine.

Table 4 reflects Reserve battle force ships and both non-deployed and deployed steaming days due to operational requirements. The elimination of an OPTEMPO goal for deployed mine warfare forces is a result of the decommissioning of the USS Inchon (MCS-12). The remaining MCM and MHC ship classes are categorized as non-deployed Reserve forces.

Table 4
Department of the Navy
Significant Naval Reserve Force Factors

	FY 2002	FY 2003	FY 2004
Surface Combatants	8	8	9
Amphibious Ships	1	0	0
Support/Mine Warfare	6	6	6
Reserve Battle Force Ships*	**15**	**14**	**15**
Steaming Days Per Quarter			
Mine Warfare	24	28	28
FFGs/LST	18	18	18

* Also included in Table 3

Mobilization

Mobilization forces provide rapid response to unforeseen contingencies throughout the world. Sealift assets include prepositioning and surge ships. Operating costs of prepositioning ships and exercise costs for surge ships are reimbursed to the National Defense

Sealift Fund (NDSF) by the operations account of the requiring Defense component, as parenthetically noted in Table 5. DoN O&M appropriations reimburse the biennial exercise costs of the Hospital Ships (T-AH) and the

Aviation Maintenance Ships (T-AVB), and will continue to fund the daily operating costs of the Maritime Prepositioning Ships (MPS). Each of three MPS squadrons supports a Marine Expeditionary Brigade for 30 days. Although there is a slight reduction in the number of prepositioning and surge ships, we still have a sufficient surge capacity to meet requirements.

Table 5 displays the composition of Navy mobilization forces.

Table 5
Department of the Navy
Strategic Sealift (# of ships)

	FY 2002	FY 2003	FY 2004
Prepositioning Ships:			
Maritime Prepo Ships (Navy O&M)	13	13	13
Maritime Prepo (Enhanced) (Navy O&M)	3	3	3
CENTCOM Ammo Prepo (Navy O&M)	1	1	1
Army Prepo Ships (Army O&M)	15	14	14
Air Force Prepo Ships (Air Force O&M)	3	3	3
DLA Prepo Ships (DWCF)	3	2	2
Surge Ships:			
Aviation Logistics Support (NDSF)	2	2	2
Hospital Ships (NDSF)	2	2	2
Fast Sealift Ships (NDSF)	8	8	8
Ready Reserve Force Ships (NDSF)	70	63	63
Large Medium-Speed RORO Ships (NDSF)	11	11	11
Prepositioning Capacity (millions of square feet)	4.4	4.3	4.3
Surge Capacity (millions of square feet)	9.6	9.4	9.4
Total Sealift Capacity (millions of square feet)	14.0	13.7	13.7

Ship Depot Maintenance

The Department's active ship depot maintenance budget supports 96.2% of the notional O&M requirement and 100% of the SCN refueling overhaul requirement in FY 2004. The stress of maintaining current OPTEMPO on an aging force is evident in increasing depot maintenance requirements, resulting in depot maintenance availabilities that increasingly exceeding notional costs.

FY 2004 Budget Summary		
	Goal	**Budget**
Submarines	98.5%	98.5%
Carrier	98.5%	98.5%
Surface	91.6%	91.6%

The entire FY 2003 and 2004 ship maintenance and annual deferred maintenance amounts reflected in Tables 6a/6b are executable. Annual deferred

maintenance is maintenance that was not performed when it should have been due to fiscal constraints. This includes items that were not scheduled or not included in an original work package due to fiscal constraints, but excludes items that arose since a ship's last maintenance period. As the execution year progresses, the workload can fluctuate, impacted by factors such as growth in scope and new work on maintenance availabilities, changes in private shipyard daily rates, and shipyard capacity. While some amount of prior years' deferred maintenance may be executable in following years (depending on deployment schedules and shipyard capacity), the numbers in Tables 6a/6b reflect only those individual years' deferred maintenance, not a cumulative amount.

The Department's reserve ship depot maintenance budget supports 94% of the notional requirement in FY 2004, which meets the Department's goal. As with the active counterparts, the Department is implementing the same initiatives to reduce maintenance burdens and costs on Naval Reserve Force ships. Tables 6a/6b display funding for active and reserve ship depot maintenance.

Table 6a
Department of the Navy
Active Forces Ship Depot Maintenance
(Dollars in Millions)

	FY 2002	**FY 2003**	**FY 2004**
Ship Depot Maintenance [1/ 2/]	$3,143	$3,456	$3,568
Ship Intermediate Maintenance	391	397	0
Depot Operations Support	1,336	1,410	1,088
Total: Ship Maintenance (O&MN)	**$4,870**	**$5,263**	**$4,656**
Percentage of Requirement Funded	96.6%	96.1%	96.2%
CVN Overhauls (SCN)	$1,275	$217	$368
SSN Refueling Overhauls (SCN)	$543	$490	$164
% of SCN Requirement Funded	100%	100%	100%
Annual Deferred Maintenance	$197	$144	$135

[1/] Includes Pearl Harbor Shipyard/IMA budgeted in Depot Ops Support in FY02.

[2/] Reflects consolidation of intermediate and depot maintenance in FY04 as a result of regional maintenance initiative.

Table 6b
Department of the Navy
Reserve Ship Depot Maintenance

(Dollars in Millions)	FY 2002	FY 2003	FY 2004
Reserve Ship Depot Maintenance [2/]	$65	$80	$84
Reserve Ship Intermediate Maintenance	11	12	0
Depot Operations Support	2	3	3
Total: Ship Maintenance (O&MNR)	**$67**	**$83**	**$87**
Percentage of Requirement Funded	92%	95%	94%
Annual Deferred Maintenance	$10	$6	$8

[2/] Reflects consolidation of intermediate and depot maintenance in FY04 as a result of regional maintenance initiative.

AIR OPERATIONS

Active Tactical Air Forces

This budget provides for the operation, maintenance and training of ten active Navy carrier air wings and three Marine Corps air wings. Naval aviation is divided into three primary mission areas: Tactical Air/Anti-Submarine Warfare (TACAIR/ASW), Fleet Air Support (FAS), and Fleet Air Training (FAT). Tactical air squadrons conduct strike operations, provide flexibility in dealing with a wide range of threats identified in the National Military Strategy, and provide long range and local protection against airborne and surface threats. Anti-Submarine Warfare squadrons locate, destroy and provide force protection against sub-surface threats, and conduct maritime surveillance operations. Fleet Air Support squadrons provide vital fleet logistics and intelligence support. In Fleet Air Training, the Fleet Readiness Squadrons (FRS) provide the necessary training to allow pilots to become proficient with their specific type of aircraft and transition to fleet operations.

In FY 2004, we begin implementing the new Navy-Marine Corps TACAIR integration plan to achieve an optimum balance of efficiency and warfighting effectiveness. The first phase of the plan will integrate one Marine strike fighter squadron (F/A-18) into a CVW and one Navy strike fighter squadron into the Marine Unit Deployment Plan (UDP) rotation. In addition, two Reserve strike fighter squadrons will decommission in FY 2004, one each from the Navy and Marine Reserve inventory. All CVW F/A-18 squadrons will be reduced from 12 to 10 Primary Authorized Aircraft (PAA) with the exception of Navy F/A-18C squadrons transitioning to F/A-18E/F squadrons and F/A-18 squadrons in the UDP. PAA for these squadrons will remain at 12 through the FYDP.

By the end of the FYDP, eight Marine F/A-18 squadrons will be integrated into CVWs, and three Navy F/A-18 squadrons will be integrated into the UDP. By the completion of the integration plan and JSF transition, ten CVWs will include a Marine F/A-18 squadron, and 3 Navy F/A-18 squadrons will be participating in the UDP. A total of five F/A-18 squadrons will decommission: three Active Navy, one Navy Reserve, and one Marine Reserve. All JSF squadrons will consist of 10 aircraft.

Reserve Air Forces

Reserve aviation continues to provide vital support to the Nation and to the active force in FY 2004. The Reserves support all of the Department's adversary and overseas logistics requirements and a portion of the electronic training and counter-narcotics missions. The Navy Reserve also provides support to the active force through participation in various exercises and mine warfare missions. In FY 2004 the Navy Reserve will decommission two F/A-18 "Hornet" squadrons, one Navy and one Marine. This reduction in force structure is part of the Navy's TACAIR integration initiative. The Navy Reserve will also transfer one C-20G aircraft to the active component.

Table 7 reflects active and reserve aircraft force structure.

Table 7
Department of the Navy
Aircraft Force Structure

	FY 2002	FY 2003	FY 2004
Active Forces	**18**	**18**	**18**
Navy Carrier Air Wings	10	10	10
Marine Air Wings	3	3	3
Patrol Wings	3	3	3
Helicopter Anti-Submarine Light Wings	2	2	2
Reserve Forces	**5**	**5**	**5**
Tactical Air Wings (Navy)	1	1	1
Patrol/ASW Air Wings	1	1	1
Helicopter Air Wing	1	1	1
Logistics Air Wing	1	1	1
Marine Air Wing	1	1	1
Primary Authorized Aircraft - Active [1/]	**2,481**	**2,496**	**2,462**
Navy	1,461	1,487	1,458
Marine Corps	1,020	1,009	1,004
[1/] Does not include trainer or TACAMO aircraft.			
Primary Authorized Aircraft - Reserve	**406**	**408**	**395**
Navy	220	222	216
Marine Corps	186	186	179

Aircraft OPTEMPO

FY 2004 will be the second year in which the Department will measure aviation readiness in terms of Status of Resources and Training System (SORTS) ratings vice Primary Mission Readiness (PMR). To provide adequately trained aircrews, Carrier Airwings (CVWs) need to attain an average T-rating (the training component of SORTS) of T-2.2 throughout the Inter-Deployment Training Cycle (IDTC). This level of training will allow CVWs to reach a training level of T-2.0 six months prior to deployment and average a readiness level of T-1.3 while deployed. TACAIR/ASW funded hours will now be defined in terms of the T-rating achieved. This requirement encompasses not only training, but operational, maintenance and support hours as well. Aircraft OPTEMPO in FY 2004 is sufficient to support the peacetime sustained requirement.

As a result of supplemental funding in FY 2002, deploying squadrons achieved higher readiness levels. Aircrews flew an average of 23.1 hours per month, which is almost 2 hours above goal. These readiness levels provide the opportunity for the Department to sustain adequate T-ratings through FY 2003 and FY 2004.

The Flying Hour Program has been priced using the most recent cost per hour experience, including a higher cost for repair part pricing and usage. This repricing, which adds significantly to the cost per flying hour, is a manifestation of the Department's aging aircraft inventory, which requires more maintenance per hour and increasing failure rates on major components. The FY 2004 budget represents a method to forecast Aviation Depot Level Reparable (AVDLR) cost per hour based on analysis done by the Center for Naval Analysis (CNA). CNA studied AVDLR demand data from FY 1992 to FY 1999, and through analyses of hours flown and aircraft age, determined that AVDLR growth could be re-forecasted based on type model series-specific demand rates ranging from 1% to 30% per year. The resulting increase in cost per hour in FY 2004 is significant.

Consistent with recent execution experience, FRS operations are budgeted at 92% of the requirement to enable pilots to complete the training syllabus. Student levels are established by authorized TACAIR/ASW force level requirements, aircrew personnel rotation rates and student output from the Undergraduate Pilot/Naval Flight Officer training program. FAS requirements have been re-evaluated to reflect the current FAS mission. Funding now

provides sufficient hours to meet 96% of the total hours required. The Navy Reserve is budgeted at 85% of the specified hours to support adequately trained aircrews in FY 2003 and 100% of the required hours in FY 2004 as indicated in Table 8. This increase in percent funded is reflective of a change in requirements determination. Chart 6 displays historical flying hours.
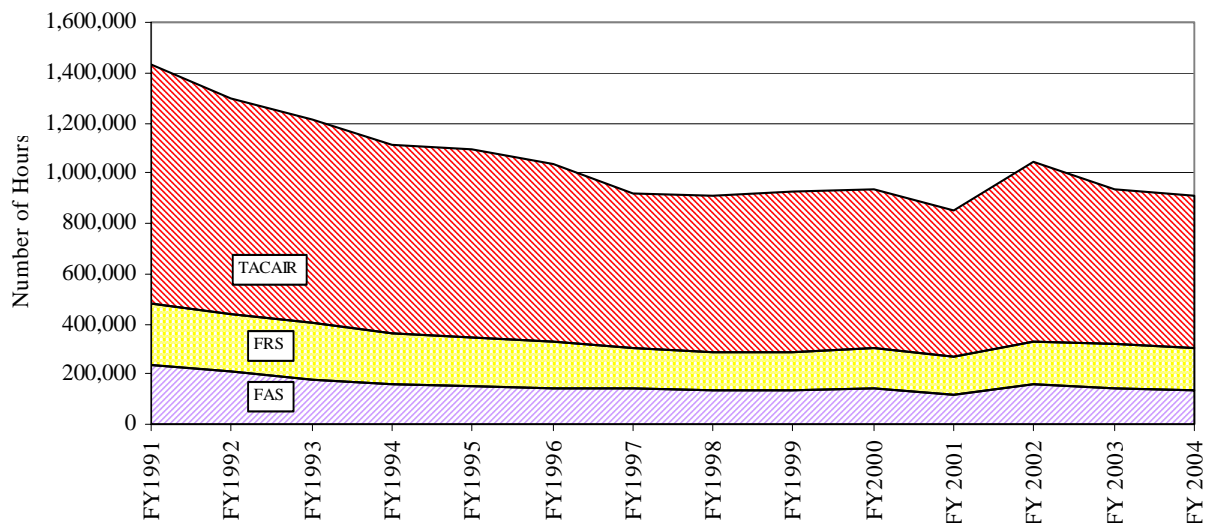
Chart 6 - Flying Hour Program

Table 8 displays active and reserve flying hour readiness indicators.

Table 8
Department of the Navy
Flying Hour Program

	FY 2002	**FY 2003**	**FY 2004**
Active			
TACAIR (%) [1] [2]	*86%*	*T-2.2*	*T-2.2*
Goal [1] [2]	*83%*	*T-2.2*	*T-2.2*
Fleet Readiness Squadrons (%)	92%	92%	92%
Goal	*92%*	*92%*	*92%*
Fleet Air Support (%)	83%	96%	96%
Goal	*83%*	*96%*	*96%*
Monthly Flying Hours per Crew (USN & USMC)	23.1	20.8	20.8

[1] PMR in FY 2002, average T-rating in FY 2003-2004
[2] Includes 2% simulator contribution in FY 2002

Reserve			
Reserves (%) [1] [2]	87%	85%	100%
Goal [1] [2]	*87%*	*87%*	*100%*
Monthly Flying Hours per Crew (USNR & USMCR)	11	11	11

[1] PMR in FY 2002, % requirement in FY 2003-2004
[2] Includes .25% simulator contribution in FY 2002 for Reserves

Aircraft Depot Maintenance

The active and reserve aircraft depot maintenance programs fund major repair and overhauls, within available capacity, to ensure that a sufficient quantity of aircraft are available to operational units. The readiness-based model used to determine airframe and engine maintenance requirements is based on squadron inventory authorization necessary to execute assigned active and reserve missions. The goal of the airframe rework program is to provide enough airframes to meet 100% PAA for deployed squadrons and 90% PAA for non-deployed squadrons. The engine rework program objective is to return depot-repairable engines/modules to Ready-for-Issue (RFI) status, to obtain both zero net bare firewalls and fill 90% of the Type Model Series (TMS) RFI engine spares pools. Other depot maintenance refers to the depot level repair of aeronautical components for the aircraft systems and equipment under direct Contractor Logistics Support (CLS).

The Department's budget for FY 2004 is sufficient to achieve the active and reserve engine and airframe CNO readiness goals for deployed and non-deployed squadrons. To achieve the readiness goals, the Department has significantly increased the aircraft depot maintenance accounts above the FY 2003 funding level which will result in deployed squadrons having sufficient aircraft to meet inter-deployment training cycle requirements and mission capable status prior to and during deployment. Non-deployed squadrons will also have sufficient aircraft to satisfy post deployment readiness requirements. Post deployment readiness requirements are necessary to ensure that an adequate supply of airframes and engines are available to support squadron and air wing training exercises. These exercises include both inter-service air-to-air and air-to-ground tactical and missile firing training events.

To support a wide range of fleet operations and training, the Navy has targeted a 73% aircraft Mission Capable (MC) rate and a 56% Full Mission Capable (FMC) rate. This reflects both deployed and non-deployed operational aircraft trends.

Percent Navy Aircraft Mission Capable/Fully Mission Capable (MC/FMC)			
	FY 2002	**FY 2003**	**FY 2004**	**Goal**
MC Aircraft	65	73	73	73
FMC Aircraft	50	56	56	56

Tables 9a and 9b summarize Active and Aircraft Depot Maintenance.

Table 9a
Department of the Navy
Active Forces Aircraft Depot Maintenance
(Dollars in Millions)

	FY 2002	% at Goal	FY 2003	% at Goal	FY 2004	% at Goal
Airframes	$543		$455		$561	
Engines	377		278		364	
Components: Other Depot Maintenance	44		38		55	
Total: Active Aircraft Depot Maintenance	**$964**		**$771**		**$980**	
Airframes						
Deployed Squadrons meeting goal of 100% PAA	158	*100%*	160	*100%*	172	*100%*
Non-Deployed Squadrons meeting goal of 90% PAA	179	*100%*	173	*96%*	155	*100%*
Engines						
Engine TMS meeting Zero Bare Firewall goal	67	*100%*	71	*100%*	75	*100%*
Engines TMS meeting RFI Spares goal of 90%	67	*100%*	62	*87%*	75	*100%*

Table 9b
Reserve Forces Aircraft Depot Maintenance
(Dollars in Millions)

	FY 2002	% at Goal	FY 2003	% at Goal	FY 2004	% at Goal
Airframes	$82		$93		$104	
Engines	34		38		34	
Total: Reserve Aircraft Depot Maintenance	**$116**		**$131**		**$138**	
Airframes						
Non-Deployed Squadrons meeting goal of 90% PAA	67	*100%*	68	*100%*	66	*100%*
Engines						
Engine TMS meeting Zero Bare Firewall goal	37	*100%*	35	*100%*	35	*100%*
Engine TMS meeting RFI spares goal of 90%	37	*100%*	35	*100%*	35	*100%*
Components: Other-Depot Maintenance						
Funded Requirements	N/A		N/A		N/A	

Also refer to Appendix A for more information:	Table
Operation and Maintenance, Navy	A-5
Operation and Maintenance, Navy Reserve	A-8
National Defense Sealift Fund	A-17
Defense Emergency Response Fund	A-22

MARINE CORPS OPERATIONS

Marine Corps Active Operations

This budget supports the Marine Corps Operating Forces comprised of three active Marine Expeditionary Forces (MEF). Each MEF consists of a headquarters command element, one ground division, one airwing, and one force service support group.

MEFs provide highly trained forces that are fully prepared to execute their charter as a versatile expeditionary force in readiness, capable of rapid response to global contingencies. The inherent flexibility of the MEF organization, combined with our Maritime Prepositioned Force (MPF) assets, allows for the rapid deployment of appropriately sized and equipped forces. These forces possess the requisite firepower and mobility needed to achieve success across the full operational spectrum in either joint or independent operations.

This budget continues funding for the 4th Marine Expeditionary Brigade (Anti-Terrorism) (4th MEB(AT)) to detect, deter, defend, and conduct initial incident response to combat the threat of worldwide terrorism. The budget also includes funding for an increased readiness posture for Marine Operating Forces. It continues the fielding of improved combat equipment and clothing for the individual Marine. In Afghanistan, light, agile, and self-sustained Marines from the 15th and 26th Marine Expeditionary Units (MEUs) established a formidable presence in an austere, hostile environment where identification of combatants and noncombatants bordered on indistinguishable. Their forward presence provided security and stability for the local populace, while assuring the continued success of Operation Enduring Freedom on Afghan soil and providing continued access for future follow-on forces.

Additionally, this budget supports requirements for recruit training, initial skill training, and follow-on training courses, provides for a martial arts program that provides combat skills for all members, and supports continued success in meeting recruit accession goals. This budget also continues distance learning program efforts to reduce the training pipeline, thereby increasing manning levels in the operating forces.

Table 10 displays Marine Corps land forces.

Table 10
Department of the Navy
Marine Corps Land Forces

	FY 2002	FY 2003	FY 2004
Number of Marine Expeditionary Forces	3	3	3
Number of Marine Expeditionary Brigades	4	4	4
Number of Battalions	70	71	71

Marine Corps Reserve Operations

This budget supports a Marine Reserve Force that includes the Fourth Marine Division, the Fourth Marine Aircraft Wing, the Fourth Force Service Support Group, and the Marine Corps Support Command. The Department's FY 2004 budget ensures that the readiness of the Reserve Force will be maintained by providing increased funding for the Corrosion Control and Coating program. The budget also includes additional funding for environmental compliance projects and economic analysis in support of scheduled Military Construction projects.

Also refer to Appendix A for more information:	Table
Operation and Maintenance, Marine Corps	A-6
Operation and Maintenance, Marine Corps Reserve	A-8
Defense Emergency Response Fund	A-22

PEOPLE

Trained and adequately compensated manpower is the most important resource in our readiness equation. America's naval forces are combat-ready largely due to the dedication and motivation of individual Sailors, Marines, and civilians. The development and retention of quality people are vital to our continued success and are among our biggest challenges as a Department. Meeting these challenges is essential to long-term effectiveness, and the Department continues to focus on three fronts: recruiting the right people, retaining the right people, and reducing attrition. We continue to dedicate resources to those programs best suited to ensuring the proper combination of grade, skill, and experience in the force. The price of a highly-skilled, all-volunteer force in today's environment is increasing.

Military Personnel FY 2004 budget estimates include a basic pay raise of 2.0%, and a targeted pay raise of 1.2% to 4.25% for all military personnel pay grades except E-1. The combined effect is reflected in Chart 7. We continue to explore other avenues to get more Sailors and Marines to the reenlistment decision point, motivating them to remain for a career. For example, Basic Allowance for Housing (BAH) programs have been funded to effect the transition to market-based rates, to fund anticipated future housing rate increases, and to reduce out-of-pocket expenses from 7.5% in FY 2003 to 3.5% in FY 2004.

The Personnel Tempo (PERSTEMPO) program proposal would amend legislative language by eliminating the 182-day and 220-day thresholds while retaining the 401-day threshold as the single criteria for high deployment pay. It would also replace the current high deployment per diem amount of $100 to a monthly High Deployment Allowance of up to $1,000. Currently, all PERSTEMPO payments are under a national security waiver.

Chart 7 – FY 2004 Proposed Pay Raise

PAY GRADE	<4	4	6	8	10	12	14	16	18	20	22	24	26
Percentage Changes in Basic Pay / YEARS OF SERVICE													
COMMISSIONED OFFICERS													
O-10	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
O-9	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
O-8	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
O-7	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
O-6	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
O-5	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
O-4	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
O-3	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
O-2	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
O-1	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
COMMISSIONED OFFICERS WITH OVER 4 YEARS ACTIVE SERVICE AS ENLISTED MEMBERS													
O-3E	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
O-2E	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
O-1E	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
WARRANT OFFICERS													
W-5	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
W-4	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
W-3	3.70%	3.70%	3.70%	3.70%	3.70%	5.75%	5.75%	5.75%	5.75%	3.70%	3.70%	3.70%	3.70%
W-2	3.70%	3.70%	3.70%	5.50%	5.50%	5.50%	5.50%	5.50%	3.70%	3.70%	3.70%	3.70%	3.70%
W-1	3.70%	3.70%	5.25%	5.25%	5.25%	5.25%	5.25%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
ENLISTED MEMBERS													
E-9	3.70%	3.70%	3.70%	3.70%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	6.00%	6.25%
E-8	3.70%	3.70%	3.70%	3.70%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%
E-7	3.70%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
E-6	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%	3.70%	3.70%	3.70%	3.70%	3.70%
E-5	4.60%	4.60%	4.60%	4.60%	4.60%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
E-4	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
E-3	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%	3.70%
E-2	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
E-1	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

Navy

We are winning the battle for people our most valuable asset! We have invested in retaining, recruiting, and training Navy personnel to create an environment that offers opportunity, promotes personal and professional growth, and provides the kind of workforce needed for the 21st century. With few exceptions, we achieved C-2 manning status for all deploying battle group units at least six months prior to deployment.

Recruiting remains strong. Recruiters have made goal for 16 straight months. The quality of our recruits is improving, 92% of our recruits were high school graduates in FY 2002 with 94% targeted for FY 2004. Nearly 6% of new recruits had some college education. Retention is also strong, as shown in Table 11. Attrition

Recruiter Productivity (active and reserve)			
	FY2002	**FY2003**	**FY2004**
# of Recruiters	5,000	4,500	4,400
# of Recruits	46,500	45,000	46,000
# of Recruits per Recruiter	9	10	10
Size of DEP (Beginning of FY)	18,631	25,801	25,380

is being reduced. We will increase the number of E-4 to E-9s (Top 6) from 72.5% in FY 2003 to 73.2% in FY 2004. Increasing the Top 6 allows us to retain more of our experienced leaders and maintains advancement opportunities.

We are developing innovative manning initiatives.   USS Milius (DDG 69) was the first guided missile destroyer to deploy using the Optimal Manning program. New technologies and reduced ship's manning requirements allowed sailors to focus on their core responsibilities.   As part of our innovative sea swap experiment, the USS Fletcher (DD992) crew will be relieved on deployment by the USS Kinkaid (DD 965) crew to extend unit on station time and reduce time in transit.

The CNO has approved the Sea Warrior initiative to develop 21st century sailors.   This initiative takes into account new platforms, technologies, and rotational crewing concepts which revolutionize crew sizing, and provides interactive web-based tools and training for personal and professional development and career management. Sea Warrior identifies the knowledge, skills, and abilities needed for mission accomplishment; applies career-long training and education continuum; and employs a responsive, interactive career management system to ensure the right skills are in the right place at the right time. Project SAIL, sailor advocacy through interactive leadership, is a fundamental change to the detailing process that gives sailors a stronger voice and greater control over their career decisions. Task Force EXCEL has introduced a fundamental change in training architecture which provides learning centers at all fleet concentration areas. The Navy Personnel Development Command will provide support and ensure standardization to both the learning centers and the training support commands.

Chart 8 and Table 11 provide summary personnel end strength, accessions, retention, and attrition data for Active Military Personnel.

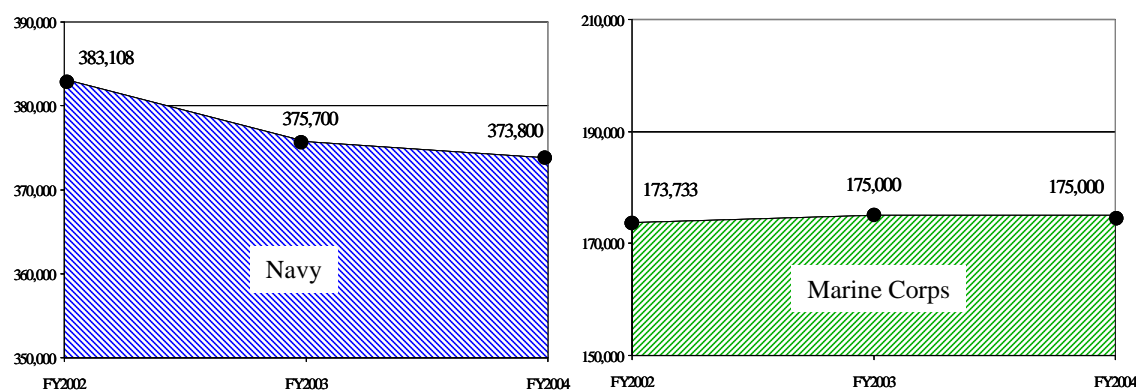## *Chart 8 – Active Military Personnel End Strength*

Chart 8 Graphically displays Military Personnel downsizing through FY 2004.

Table 11
Department of the Navy
Active Navy Personnel

	FY 2002	FY 2003	FY 2004
Officers	54,476	53,866	53,608
Enlisted	324,351	317,834	316,192
Midshipmen	4,281	4,000	4,000
Total: End Strength	**383,108**	**375,700**	**373,800**
Enlisted Accessions	46,500	45,000	46,000
Percent High School Diploma Graduates	92%	94%	94%
Percent above average AFQT	62%	62%	62%

Enlisted Reenlistment Rates			
	FY 2002	FY 2003	FY 2004	Steady State Goal
Zone A (<6 years)	60.5%	58.9%	57.4%	57.0%
Zone B (6+ to 10 years)	74.4%	73.3%	72.6%	70.0%
Zone C (10+ to 14 years)	87.9%	86.6%	85.8%	90.0%

Enlisted Attrition			
	FY 2002	FY 2003	FY 2004
Zone A (<6 years)	8.8%	9.9%	10.0%
Zone B (6+ to 10 years)	1.6%	1.8%	1.8%
Zone C (10+ to 14 years)	.8%	.9%	.9%

Military Personnel, Navy Reserve Forces

This budget supports Military Personnel, Navy Reserve Forces end strength of 85,900 in FY 2004, providing pay and allowances for drilling Navy Reserve and Full Time Support personnel. Based on increased requirements for contingency support, funding has been applied for Additional Training Periods (ATPs).

To meet manning challenges for Construction Battalion and Hospital Corpsman requirements, the Navy Reserve is emphasizing the recruitment of non- prior service personnel. As a result, additional funding has been applied to Active Duty for Training (ADT) Schools, non-prior service enlistment bonus, and initial issue for seabag clothing. This budget also reflects positive steps in recruiting and retaining critical skills through increased Affiliation and Prior Service Bonuses. With new Coast Guard training standards, the budget dedicates 55% more resources for Merchant Marine personnel to maintain current qualifications.

Chart 9 and Table 12 provide end strength data for the Navy Reserve Forces account.

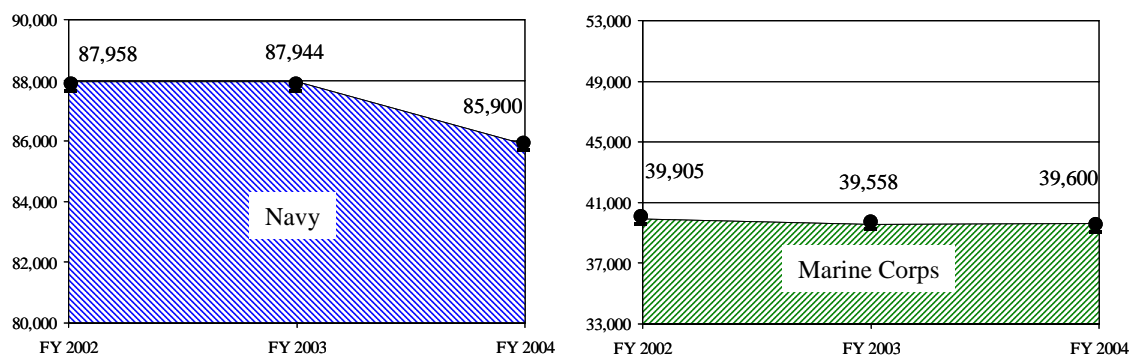## *Chart 9 - Military Personnel Navy, Reserve Forces End - Strength*

Chart 9 graphically reflects Navy and Marine Corps Reserve Forces personnel strength from FY 2002 through FY 2004.

Table 12
Department of the Navy
Military Personnel, Navy Reserve Forces

	FY 2002	FY 2003	FY 2004
Drilling Reserve	73,142	73,202	71,516
Full Time Support	14,816	14,742	14,384
Total: End Strength	**87,958**	**87,944**	**85,900**

Military Personnel, Navy Reserve Forces funding transferred to MPN beginning in FY 2004 as a separate budget activity within the appropriation.

Also refer to Appendix A for more information:	**Table**
Military Personnel, Navy	A-1
Military Personnel, Navy Reserve Force	A-3

Marine Corps

This budget supports an end strength of 175,000 in FY 2004. This force structure includes the FY 2002 establishment of the 4th Marine Expeditionary Brigade (Anti Terrorism) (4th MEB (AT)) dedicated to combating terrorism and fulfills their charter as a versatile expeditionary force-in-readiness, capable of rapidly responding to global contingencies.

Continued success in meeting goals for recruiting and retaining personnel to maintain the planned force level is anticipated and enlistment and reenlistment bonus programs have been funded to help ensure success in meeting budgeted end strengths levels.

Recruiter Productivity (active and reserve)			
	FY 2002	**FY 2003**	**FY 2004**
# of Recruiters	2,650	2,650	2,650
# of Recruits	37,964	42,875	37,946
# of Recruits per Recruiter	15	16	14
Size of DEP (Beginning of FY)	21,859	22,533	18,973

Chart 8 and Table 13 provides summary personnel end strength data for Military Personnel, Marine Corps.

Table 13
Department of the Navy
Active Marine Corps Personnel

	FY 2002	FY 2003	FY 2004
Officers	18,288	18,088	18,088
Enlisted	155,445	156,912	156,912
Total: End Strength	**173,733**	**175,000**	**175,000**
Enlisted Accessions	37,964	42,875	37,946
Percent High School Diploma Graduates	95%	95%	95%
Percent above average Armed Forces Qualification Test	63%	63%	63%
Reenlistments	16,300	13,096	13,567

Enlisted Retention Rates			
	FY 2002	**FY 2003**	**FY 2004**	**Steady State Goal**
First Term	26.5%	26.0%	26.0%	25.0%
Second Term	59.5%	61.0%	61.0%	61.0%
Third Term	95.6%	95.6%	95.6%	95.6%

Military Personnel, Marine Corps Reserve Forces

This budget supports Marine Corps Reserve end strength of 39,600 in FY 2004. This end strength ensures availability of trained units to augment and reinforce the active forces, as well as providing manpower for a Marine Air-Ground Task Force headquarters and Marine Forces Reserve (MARFORRES). The budget provides for pay and allowances for drilling Reservists attached to specific units, Individual Mobilization Augmentees (IMA's), personnel in the training pipeline, and full-time active Reserve personnel. Consistent with the Marine Corps active component, bonus programs continue to be funded at levels required to meet recruiting and retention goals.

The Marine Corps Reserve requirements are reviewed continually to fully support the National Military Strategy. The Department remains committed to Reserve contributory support to enhance and complement the active force while maintaining unit readiness to meet crisis and security requirements.

Chart 9 and Table 14 provides end strength data for the Marine Corps Reserve Forces account.

Table 14
Department of the Navy
Military Personnel, Marine Corps Reserve Forces

	FY 2002	FY 2003	FY 2004
Drilling Reserve	37,611	37,297	37,339
Full Time Support	2,294	2,261	2,261
Total: End Strength	**39,905**	**39,558**	**39,600**

Military Personnel, Marine Corps Reserve Forces funding transferred to MPMC beginning in FY 2004 as a separate budget activity within the appropriation.