



No. 31

July 14, 2003

S.1382/H.R. 2658 S Department of Defense Appropriation Bill for FY 2004

Calendar No. 190

S. 1382 was reported by the Committee on Appropriations as an original bill on July 9, 2003 by a vote of 29-0; S. Report 108-87.

NOTEWORTHY

- By unanimous consent, the Senate will begin consideration of H.R. 2658, the Department of Defense appropriations bill, on Monday, July 14; no time agreements have been reached, but the Majority Leader hopes to complete Senate action this week.
- S. 1382 provides \$369.165 billion in mandatory and discretionary budget authority (\$368.6 billion in discretionary budget authority) for the Department of Defense for FY 2004, an amount which is \$57.8 billion less than was enacted in FY 2003 (including the Iraq war supplemental). The Senate bill is \$3.189 billion below the President's budget estimate of \$371.8 billion.
- The House passed H.R. 2658, on July 8, 2003, by a vote of 399-19. The House-passed amount is about \$100 million more than the Senate-reported bill.
- The Senate bill fully funds key readiness programs critical to the War on Terrorism
- The Senate bill rescinds \$3.2 billion in Iraq supplemental funds that are not currently required due to lower than expected war costs, and reduces the budget to reflect excessive cash balances in working capital funds.
- The Senate bill makes no assumptions on disability retirement benefits adopted in the Senate authorization bill, H.R. 1588, which is pending in conference.

Highlights

S. 1382/H.R. 2658 makes appropriations for the military functions of the Department of Defense (DoD) for the period of October 1, 2003 through September 30, 2004. These are organized into eight functional areas by title, to include:

- the pay, allowances and support of military personnel (Title I);
- operation and maintenance of the forces (Title II);
- procurement of equipment and systems (Title III);
- research, development, test and evaluation (Title IV);
- revolving and management funds (Title V);
- other DoD appropriations (defense health program, chemical agents destruction, drug interdiction and counter-drug activities, and Inspector General) (Title VI);
- funding for related agencies (CIA retirement and disability fund; intelligence community management account; payment for restoration of Hawaii’s Kaho’olawe Island; and National Security Education Trust Fund) (Title VII); and
- general provisions (Title VIII).

The bill provides the following allocations by title:

—	Title I:	Military Personnel:	\$98.9 billion
—	Title II:	Operations and Maintenance	\$115.6 billion
—	Title III:	Procurement	\$74.0 billion
—	Title IV:	RDT&E	\$63.6 billion
—	Title V:	Revolving and Management Funds	\$1.8 billion
—	Title VI:	Other DoD Programs	\$18.3 billion
—	Title VII:	Related Agencies	\$418.2 million
—	Title VIII:	General Provisions	\$-3.4 billion

- The Senate bill adds funding for the following items (partial list): \$100 million for environmental clean up at Formerly Used Defense Sites (FUDS); \$35 million for Army Stryker Brigade Combat Teams (SBCT) units; \$70 million for 7 UH-60 Blackhawk helicopters; \$35 million for Stryker long-lead teams; \$700 million for equipment for the National Guard and Reserve; \$150 million for Breast Cancer research; \$85 million for Prostate Cancer research; and \$15 million for Drug Interdiction and Counter-Drug Activities.
- The Senate bill fully funds (partial list): Army’s FMTV tactical truck procurement; PAC-3 procurement; V-22 acquisition of 9 aircraft; F-18E/F acquisition of 42 aircraft; F-22 acquisition of 22 aircraft; C-17 acquisition of 11 aircraft; Special Operations Advanced Tactical Laser Program; Army Future Combat System; Army Comanche helicopter program; joint Unmanned Aerial Combat Vehicle; several transformational hull form technologies; and Littoral Combat System.

House Action

The House of Representatives approved its FY04 Defense Authorization bill, H.R. 2658, on July 8, 2003, by a vote of 399-19. H.R. 2658 (House) provides about \$100 million more than the Senate bill.

Bill Provisions

Title I - Military Personnel

In this Title, the Committee provides \$98.9 billion for pay and allowances, clothing, subsistence, travel, other personnel costs for the uniformed members of the armed forces, and the Department of Defense Military Retirement Fund. This allocation provides for an average military pay raise of 4.15 percent and funds an increase in the Basic Allowance for Housing to reduce the average out-of-pocket expense from 7.5 percent to 3.5 percent. This allocation is nearly the same as the budget request of \$98.9 billion and the House recommendation of \$98.3 billion, and it is \$5.4 million above the FY 2003 appropriation of \$93.6 billion.

Title II - Operations and Maintenance

In this Title, the Committee provides \$115.6 billion for Operations and Maintenance. This is \$1.4 billion below the budget request of \$117.0 billion, \$290.9 million above the House recommendation of \$115.3 billion, and \$872.5 million above the FY 2003 appropriation of \$114.7 billion. Headings under O&M are:

- **Operations and Maintenance:** Provides \$113.7 billion for the armed forces and defense agencies to prepare for and conduct combat and peacetime missions. Funds are divided between the Army, Navy, Marines and Air Force, their respective Reserves, the Defense Department more generally, the Army National Guard and the Air National Guard. Funds are used for purposes such as purchasing fuel and spare parts for training operations, and repair of facilities and equipment.
- **Overseas Contingency Operations Transfer Accounts:** Provides \$10.0 million for Overseas Contingency Operations.
- **United States Courts of Appeals for the Armed Forces:** Provides \$10.3 million for salaries and expenses for the U.S. Courts of Appeals for the Armed Forces.

- **Environmental Restoration:** Provides \$1.4 billion for environmental restoration, reduction and recycling of hazardous waste, removal of unsafe buildings and debris, and similar purposes. Funds are divided between the Army, Navy, Air Force, the Defense Department generally, and formerly used defense sites.
- **Overseas Humanitarian, Disaster and Civic Aid:** Provides \$59.0 million for humanitarian assistance, foreign disaster relief, and civic aid programs.
- **Former Soviet Union Threat Reduction:** Provides \$450.8 million for assistance to the republics of the former Soviet Union in order to eliminate and safe-guard nuclear, chemical, and other weapons, prevent proliferation, and aid in other demilitarization measures.

Title III - Procurement

The Committee provides \$74.0 billion for Procurement. This is \$1.3 billion above the budget request of \$72.7 billion, \$300 million above the House recommendation of \$73.7 billion, and \$2.5 billion above the FY 2003 appropriation of \$71.5 billion. Among the major spending categories are:

- **Aircraft:** Provides \$2.0 billion for **Army** aircraft procurement, a decrease of \$101.2 million from the budget request. This decrease is due partially to the recommended restructuring of the UH-60M upgrade program (\$100 million) and an offsetting increase of \$48.7 million to purchase seven additional Blackhawk helicopters. Provides \$9.0 billion for **Navy** aircraft procurement, an increase of \$229.4 million from the budget request largely due to the purchase of an additional C-37, and supplies/upgrades for AV-8 and F-18 aircraft. Provides \$12.0 billion for **Air Force** aircraft procurement, a decrease of \$81.9 million from the budget request, due largely to lower vendor costs in the purchase of 22 F/A-22 Raptor aircraft.
- **Shipbuilding:** Provides \$11.7 billion for Navy shipbuilding, an increase of \$243.6 million from the budget request. This increase is due partially to funding two submarines in the Navy's Submarine Refueling Overhaul program (\$450.0 million) and incremental funding for an LHD-1 Amphibious Assault ship (\$236.3 million). This increase is partially offset (\$130 million) by authorizing the procurement of five rather than seven Virginia Class submarines over five years, and delaying the Cruiser Conversion program.
- **Missiles, Weapons and Ammunition:** Provides \$11.0 billion for **Army** procurement of missiles, weapons and tracked combat vehicles, and ammunition; **Navy** and **Marine Corps** procurement of ammunition; and **Air Force** procurement of missiles and ammunition.

Title IV - Research, Development, Test and Evaluation

The Committee provides \$63.6 billion for Research, Development, Test and Evaluation (RDT&E). This is \$1.8 billion above the budget request of \$61.8 billion, \$1.0 billion below the House recommendation of \$64.6 billion, and \$5.4 billion above the FY 2003 appropriation of \$58.2 billion. Headings under RDT&E are:

- **Army RTD&E:** Provides \$9.5 billion for Army RTD&E, an increase of \$390 million from the budget request. The budget breaks the Future Command System into three distinct projects to render oversight easier. The Committee also directs the Army to study the impact of Electric Personal Mobility Devices, which offer alternative means of transportation and are environmentally friendly.
- **Navy RTD&E:** Provides \$14.9 billion for Navy RTD&E, an increase of \$779.7 million from the budget request. This funding includes a reduction of \$56 million for the Joint Strike Fighter program (to be evenly split by the Navy and Air Force), an additional \$46.6 million for the FireScout unmanned aerial vehicle program, and a reduction of \$4 million for the Joint Simulation System and a request that an Analysis of Alternatives be conducted for this system. The Committee also requests a report detailing the withholding of RTD&E funds for other uses.
- **Air Force RTD&E:** Provides \$20.1 billion for Air Force RTD&E, a decrease of \$250.0 million from the budget request. This partially reflects reduced funding for the National Aerospace Initiative, and the Advanced Wideband System, programs with which the Committee expresses concern. The Committee also notes concern with the delay in the GPS III satellite program.
- **Defense-Wide RTD&E:** Provides \$18.8 billion for Defense-Wide RTD&E, an increase of \$800.2 million from the budget request. This includes funding for Multiple Target Tracking Optical Sensor Array Technologies and for purchasing extended range SCUD missiles to serve as test targets for missile defense.
- **Operational Test and Evaluation, Defense:** Provides \$304.8 million for independent activities of the Director of Operational Test and Evaluation. This is an increase of \$18 million from the budget request.

Title V - Revolving and Management Funds

The Committee provides \$1.8 billion for Revolving and Management Funds (Defense Working Capital Funds and National Defense Sealift Funds). This is \$991.1 million below the budget request of \$2.8 billion, and \$934.4 million below the FY 2003 appropriation of \$2.7 billion.

Title VI - Other Department of Defense Programs

In this Title, the Committee provides \$18.3 billion for a range of DoD programs. This funding includes \$15.7 billion for the Defense Health Program, \$1.7 billion for Army Chemical Agents and Munitions Destruction, \$832.4 million for Drug Interdiction and Counter-Drug Activities, and \$162.4 million for the Office of the Inspector General. The total amount is \$371.4 million above the budget request of \$17.9 billion, \$145.6 million above the House recommendation of \$18.1 billion, and \$899.0 million above the FY 2003 appropriation of \$17.4 billion.

Title VII - Related Agencies

The Committee provides \$418.2 million for related agencies. This funding includes: \$226.4 million for the Central Intelligence Agency Retirement and Disability System Fund; \$165.4 million for the Intelligence Community Management Account; \$18.4 million for payment to Kaho'olawe Island Conveyance, Remediation, and Environmental Restoration Fund; and \$8 million for the National Security Education Trust Fund. This is \$25.2 million above the budget request of \$393.0 million, \$13.2 million above the House recommendation of \$405.0 million, and \$50.8 million below the FY 2003 appropriation of \$468.9 million.

Title VIII - General Provisions

The General Provisions title includes proposals that have been incorporated into previous appropriations bills, provisions requested by DoD, and new provisions. The effect of allocations and FY 2003 rescissions in the title result in a net rescission of \$3.4 billion. The Senate bill cuts \$3.2 billion from unobligated funds in the Iraq Freedom Fund.

Administration Position

No Statement of Administration Policy on the bill as reported to the Senate was available at press time. On July 8, the Administration released a SAP on the House-reported bill.

Cost

The Committee estimates the bill provides \$369.65 billion in mandatory and discretionary budget authority (\$368.6 billion in discretionary budget authority and \$435 million in mandatory budget authority).

Possible Amendments

There were no known amendments at press time. However, amendments are possible.

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