

FISCAL OUTLOOK



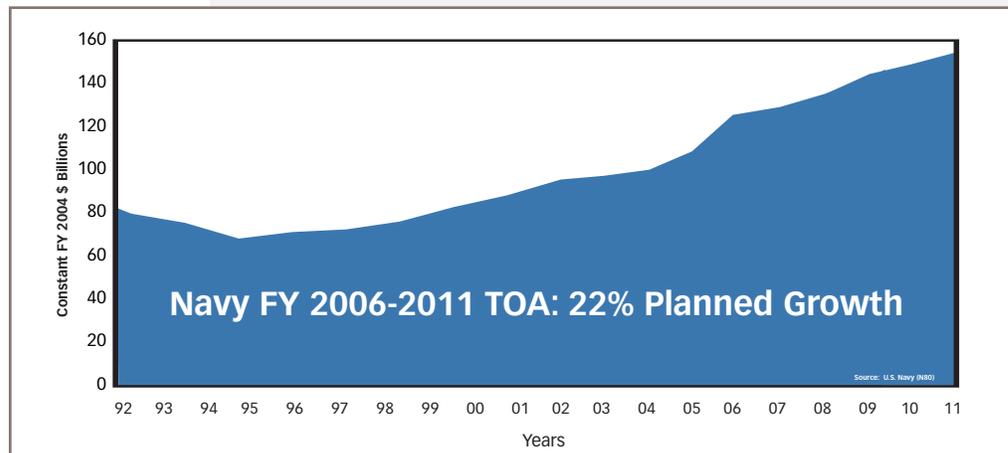
Congressional investment and the Navy's commitment toward efficiencies and effectiveness have paid off—our forces can now deploy faster, longer, and sustain our operational availability better than at any time in our history. Readiness, advanced technology, dominance of the maritime domain, and the genius of our people are—and will remain—the U.S. Navy's asymmetric advantages over America's adversaries. We will continue to employ the power of positive change to maximize our advantages while maintaining the course set by Sea Power 21 in 2002.

Department of Defense (DoD) enhancements to FY 2004 and 2005 annual budgets provided increases in Total Obligation Authority (TOA) and allowed the Navy to address additional program needs related to the security and defense of our homeland. The positive trend continues in the president's FY 2006 DoD budget request for \$419.3 billion, an increase of 4.8 percent compared to FY 2005.

NAVY RESOURCES

We have been transforming the business of running the world's greatest Navy. The Sea Enterprise initiative—which facilitates reinvestment of savings to buy platforms and systems needed to transform our Navy—is helping ensure maximum effectiveness of every dollar we spend. In the coming year, we will continue to invest in our readiness, our people, and the transformation laid out in our *Sea Power 21* vision. The Navy's TOA request for FY 2006 is \$125.6 billion, and represents an increase of 5.2 percent from FY 2005. Figure 12 illustrates projections of 22 percent real growth through FY 2011, a dramatic turnaround of the downward trend in Navy TOA during the early 1990s. Achievement of the *Sea Power 21* vision depends on the continuation of that real growth.

Figure 12 - Total Obligational Authority, FY 1992-2011



TRANSFORMING FOR THE RIGHT READINESS AT THE RIGHT COST

Readiness is the catalyst that brings combat power to bear whenever it is needed. The key to our readiness today and in the future is the ability to “surge” forces. The Navy is transforming its platforms, processes, and manpower to support a force that can surge to meet America's interests—whether in combat, stabilization, or homeland security. Our FY 2006 budget request reflects the Navy's readiness needs and provides resources necessary for leadership to deliver operational capabilities. Those capabilities depend upon ship operations and aircraft flying hours, maintenance, training, and modernization of shore installations. Fully funded, the Navy budget will deliver a force more ready to surge, sustain operations, and rapidly reconstitute itself to meet the challenges of the 21st century.

SHAPING THE NAVY'S WORKFORCE

In our future, we will be a better-educated, better-trained, better-compensated, and smaller workforce. Force shaping requires personnel programs and policies that produce a naval force of

optimal mix and organizational alignment, while simultaneously fostering personal growth and development. The goals of our efforts are to develop a capability-centric force that is both effective and efficient and maximizes the value of service for all Sailors and civilians. We are on course to achieve these goals by using technology to take over work that is professionally unfulfilling, changing policies and structures that inhibit professional growth and development, and by changing the work before we change the work force. Recognizing the efficiencies we have achieved, and those clearly evident for the coming year, future budget requests will propose a reduction of manpower.

BRIDGING TO THE FUTURE THROUGH INVESTMENT IN SEA POWER 21

Sea Power 21 defines the capabilities and processes the 21st century Navy will deliver. Bridging to the future vision requires innovation, experimentation, and rapid technology insertion resulting in mid- and long-term war fighting improvements. Our future investments will exploit the largest maneuver area on the face of the earth, the sea. Congress and the American people have invested hard-earned funds to accelerate the Navy's progress toward our joint, networked, sea-based force. We must upgrade and modernize our combat platforms and systems, adding new capabilities to meet future warfighting needs. This year, we will further maximize our investment in *Sea Power 21* capabilities, pursuing distributed and networked solutions, focusing on the power of Sea Basing and our complementary capability and alignment with our number one joint partner, the Marine Corps. Continuing support for our science and technology program will reward investments in joint research and development by providing better support to the warfighter in the battlespace.

The Navy will also continue to transform itself to meet the broader range of missions in the new strategic environment. This transformation includes alignment of organizations and processes and streamlining our infrastructure. New platforms and technology will make us a more efficient and effective force. Figure 13 shows the realities in force structure size and mix proposed through FY 2011, with more modern and more capable ships and aircraft available, though in reduced numbers.

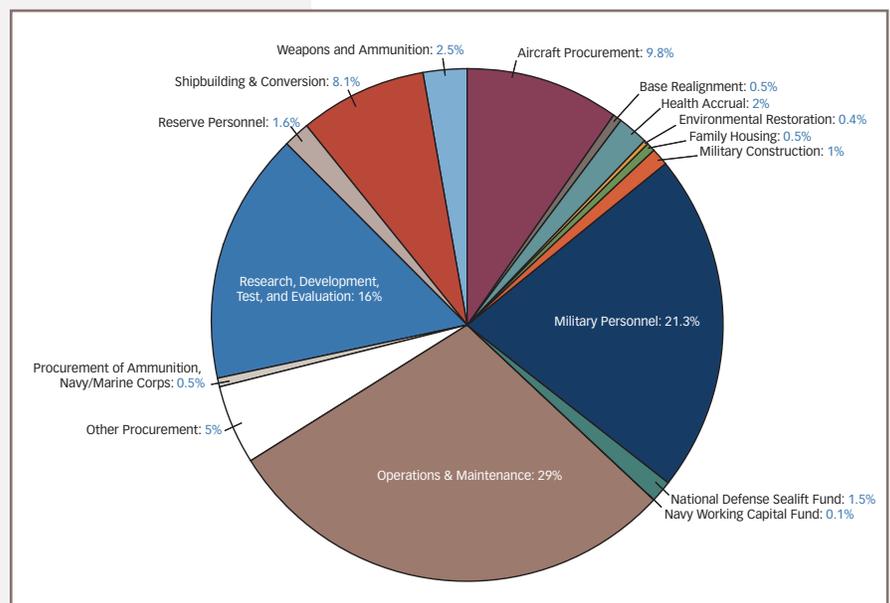
NAVY APPROPRIATIONS

The allocation of requested FY 2006 Navy resources to appropriations is

Figure 13 - Force Structure Trends

Ship Types	FY 93	FY 00	FY 11
Aircraft Carriers	13	12	11
Cruisers	52	27	22
Destroyers	39	54	62
Frigates	59	27	20
Littoral Combat Ships	0	0	12
Ballistic Missile Subs	24	18	14
Attack Subs	88	56	54
Guided Missile Subs	0	0	4
Amphibious	54	39	35
Mine Warfare	12	11	14
Support Ships	51	25	18
Logistics Ships	50	34	31
Mobilization Forces (NRF)	18	16	9
Total	460	317	306

Figure 14 - FY 2005 DoN Budget Request by Appropriation



shown in Figure 14. These appropriations are grouped to simplify the display (e.g., personnel, shipbuilding, aircraft procurement, research and development, operations). Figure 15 illustrates the major trend in Navy procurement since 1990 and projected to FY 2011



VISION...PRESENCE...POWER

Our Navy is transforming to meet the challenges of the 21st century with a ready fleet and joint-capable operating forces, the best technology, and the most professional Sailors. We are engaging in significant changes to husband public funds better. The strategic challenges we now face include the Global War on Terrorism and recapitalizing an infrastructure based on 50 years of Cold War. We are also capitalizing on the positive technological advances as a strength to our fighting forces while combating harmful aspects of technology to our national security. *Sea Power 21* is providing the Navy superior war-fighting capabilities through new operational concepts, advanced technologies, innovative organizational initiatives, and improved acquisition processes. It is aligning our efforts, accelerating our progress, and realizing the potential of our people. Continued investment in *Sea Power 21*'s initiatives will assure our Navy meets future challenges as a transformed force—with speed, agility, persistence, precision, and reach—a force with vision, presence, and power.

Figure 15 - Navy Procurement Trend, FY 1990-2011

