

SECTION I - INTRODUCTION

This Highlights Book provides a summary of the Department of the Navy (DON) FY 2000 budget to assist members of Congress and their staffs in their review of the President's request. The primary focus for the FY 2000 budget continues to protect the near-term readiness of deployed forces and to more adequately resource military personnel accounts. This strategy reaffirms a commitment to remain forward-engaged and ready when the Nation calls, and a continuing commitment to the Department's most important asset — outstanding people — and their families, their welfare, and their future. In past years, maintaining the readiness of deployed forces has come increasingly at the expense of non-deployed forces and procurement accounts. With the initiative of this Administration to increase Defense funding, that trend has been reversed.

Near-term readiness of deployed forces remains a fundamental tenet of the Navy and Marine Corps forward deployed strategy. To protect it, this budget directs significantly more funding than previously planned towards these accounts, to programs like ship maintenance, flying hours, and spares. For Flying Hours, funds were added to incorporate the most recent cost per hour experience reflecting higher cost for spares and repair parts. Additionally, funds were also added in FY 2000 as a onetime initiative to eliminate an existing backlog of aviation spare parts to improve aircraft availability and reduce cannibalization rates. The Department of Defense initiatives have

Chart 1 - DON Topline FY 1999 - FY 2005

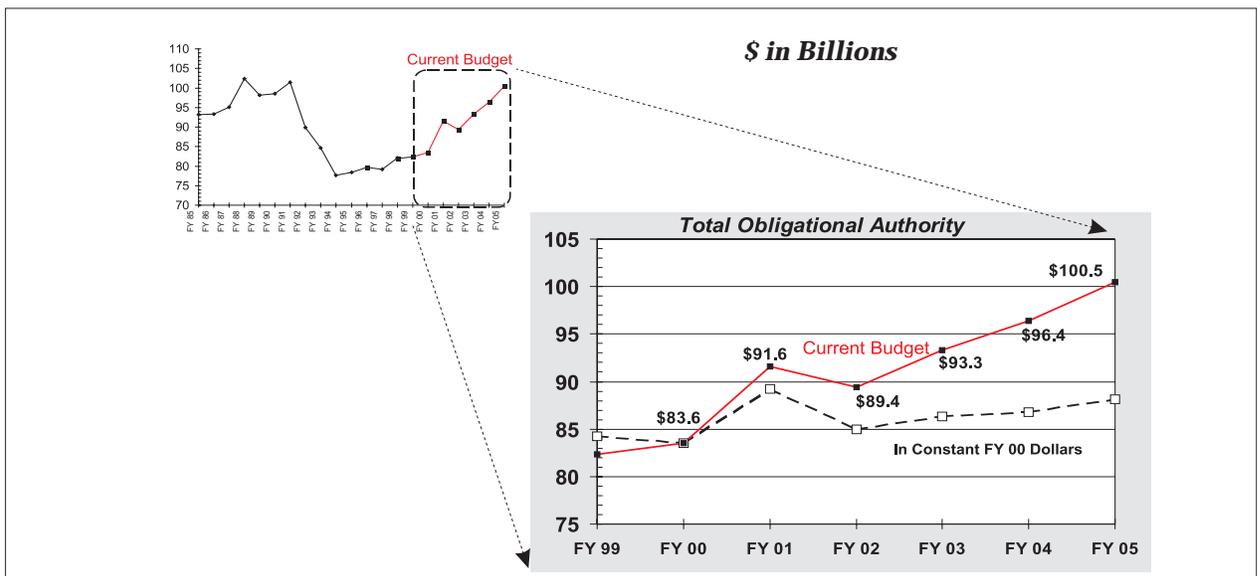


Chart 1 reflects Department of the Navy resources in both current and constant dollars from FY 1999 through FY 2005. The smaller chart provides a historical perspective from FY 1985 through FY 2005.

allowed us to fund ship repair at the goal of 94% of notional manday requirements through FY 2005.

Recent drops in non-deployed readiness, leading to steeper and later recoveries to meet succeeding deployments, are reflective of developing problems in forces that can no longer be overlooked or managed around. These problems have not been the result of intent or policy, but rather of the severe funding constraints that have characterized operating accounts. This has been most evident in aircraft readiness metrics. To avoid unacceptable risks associated with parts shortages,



the Navy is investing more in the aviation spares account, both in FY 1999 and this budget for FY 2000. In the last two budget cycles, aviation depot maintenance funding increased in hopes of improving non-deployed aircraft availability. The budget also sustains increases in FY 2000

for real property maintenance, an area underfunded in recent years. These actions and other funds added to the operation and maintenance accounts will give fleet commanders and the supporting shore establishment the resources needed. Increased resources and attention are also dedicated to the manpower account to improve aircraft maintenance manning in particular, and fleet manning overall.

Personnel issues have been addressed as a foremost concern, inseparable from operational readiness. Enlisted retention for Navy 1st/2nd/3rd term, pilot and mid-grade officer retention, as well as Navy recruiting are short of goal in FY 1998. Specifically needed and addressed in this budget are increased enlistment/reenlistment bonuses, increased Voluntary Education, a fully funded Navy recruiter force of 4,500, and fully funded Permanent Change of Station accounts. Even with these additional resources and emphasis on recruiting and retention, of broader consequence is the long-term viability of the all-volunteer force. Reinstatement of an equitable 50% retirement plan, as well as reasonable pay raises and pay reform to address the pay gap, are funded in this budget and must now be approved by the Congress.

Future Readiness, funding of critical modernization and recapitalization programs, has suffered in past budgets to maintain the near-term readiness of deployed forces. With the Administration's Defense initiative, the most essential acquisition programs have been not only protected but made more robust. The shipbuilding rate, which in the past FYDP had resulted in a construction backlog of four

ships, is increased with program additions of three TADC(X) cargo ships, one SSN-774 class submarine, two Joint Command and Control ships, the LHD-8 amphibious platform, and an additional DD-21. New construction in FY 2005 reaches a total of nine, well within reach of the level required to sustain ship battle force requirements over the long-term. Commitment to multiyear procurement in the last budget cycle has lent stability to several essential programs, and highest priority aviation acquisition programs, F/A-18 E/F and V-22, are on a solid ramp to full production. Joint Strike Fighter (JSF) investment remains unchanged in this budget in accordance with its priority in Naval aviation. The Navy added over \$500 million to the LPD-17 consistent with current execution and option estimates on the first three hulls, to incorporate an enhanced communications suite to support Marine amphibious capabilities, and to incorporate enhancements designed to reduce operating costs. Also, improved investment in Mine Warfare Plan, with additional funds across the FYDP, to include potential technological breakthroughs in the ability to locate and classify mines through coordinated employment of advanced sonar and processing capabilities.

The Department provided for an evolutionary carrier transition, with almost \$2 billion more budgeted across the FYDP compared to last year. For CVN-77, a transition ship is planned that makes great strides toward this goal, including an integrated topside island. The completion cost will be comprised of approximately 20 percent new technology investment compared to its baseline CVN-76 *Nimitz* predecessor. For CVN(X), the Navy has funded and will aggressively develop a new propulsion plant, an electromagnetic aircraft launch system, and other improvements that will yield impressive manning

Chart 2 - Trendlines FY 1999 - FY 2005

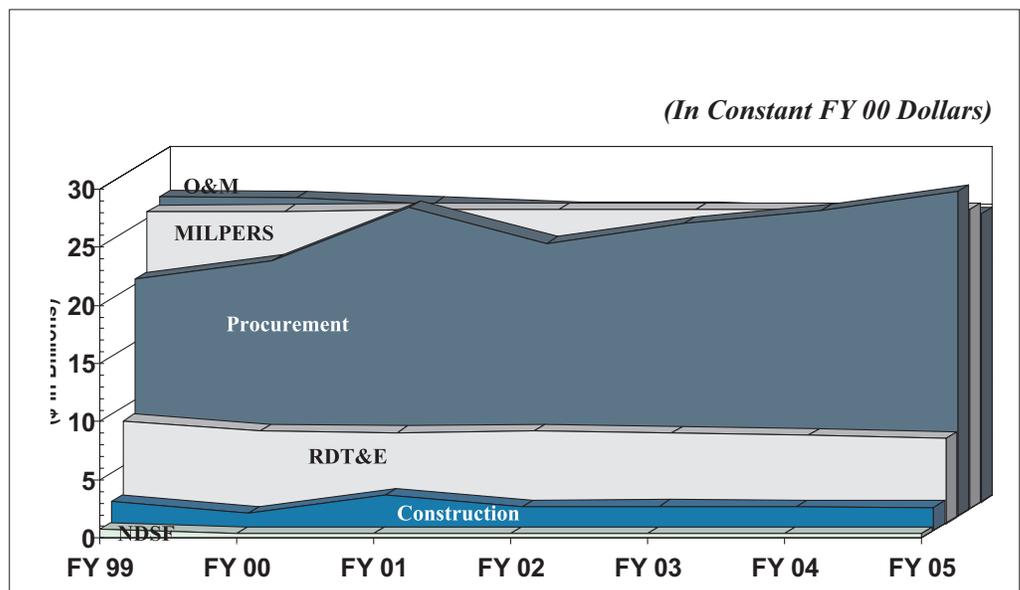


Chart 2 graphically displays Department of the Navy funding guidance by title over the Future Years Defense Program. The trendlines support in recapitalization and modernization programs.

and other life cycle savings. This will in turn pave the way for other future technologies.

The Department remains committed to submitting not only a balanced program across the spectrum of competing requirements, but also to an aggressive Revolution in Business Affairs to provide a strong core focus on the strategies necessary to lead the Department of the Navy into the new millennium. In this budget, the Navy has:

- Instituted a Smart Work program, in which initiatives with high potential to better apply available manning, to reduce weapons system ownership costs and maintenance burdens, to make available the tools, materials, and information people need to do their jobs, are identified, funded, and supported.
- Liquidated competitive sourcing savings target through FY 2001. Future potential for savings is being updated as part of the ongoing inventory of inherently governmental functions.
- Implemented a consolidated Navy base management plan, placing the responsibility for efficient infrastructure support in fewer hands.
- Supported the goal of a paper-free acquisition process. Redirected \$110 million within the budget to this initiative.
- Restructured Naval Ordnance Center operations which had evolved away from the business-like model needed for successful operation within a revolving account.
- Eliminated advance billing in Navy Working Capital Fund operations.

Future rounds of base closure remain essential though, as is the need to address alternate approaches to underutilized real property, including dual-use and outleasing opportunities.

The Highlights Book sections that follow this introduction provide financial summaries and brief program discussions. Government Performance and Results Act information referenced in the Department of the Navy's budget are indicated in Appendix A, and the Highlights Book also includes significant force and manpower factors throughout the text. Appropriation tables are found in Appendix B. This Highlights Book is available electronically on the FY 2000 Department of the Navy Justification of Estimates CD-ROM and on the World Wide Web via the Navy Headquarters Budget System (NHBS) at "<http://navweb.secnav.navy.mil/budget>".