

Congressional Perspective

NDIA Munitions Executive Summit

February 8, 2006

The Congressional side of Defense Budgets

--The next 30 minutes

- What I know
- What I think I know
- What I think
- Questions

Bottom Line: Ammo should be well supported at requested level but not much more – because of “earmark process” adjustments

What I know

Supplementals (\$B)

Year	'03	'04	'05 Bridge	'05	'06 Bridge	'06
MILPERS	13.4	17.8	1.3	17.4	6.2	
OPS	31.2	39.2	16.4	37.1	33.2	
Procurement	1.3	5.5	1.4	17.4	8.0	
Other	16.5	2.2	5.9	4.0	2.6	
Total	62.4	64.7	25.0	75.9	50.0	<i>61.-70.</i>

How much longer will supplemental funding continue?

FY 05/06 Appropriations FY 07-10 Budget/POM

Year	'05	'06	'07	'08	'09	'10
Total	401.1	410.8	439.3 +6.9%	462.4	482.0	492.1
Procurement	78.2	76.2	84.2 +10.5%	101.4	105.2	111.3
R & D	68.8	71.0	73.2 +3.1%	66.5	72.4	68.8
Milpers	104.0	106.8	110.8 +3.7%	115.4	119.4	123.3
O & M/Other	150.3	156.5	171.1 +9.3%	179.1	185.0	188.9

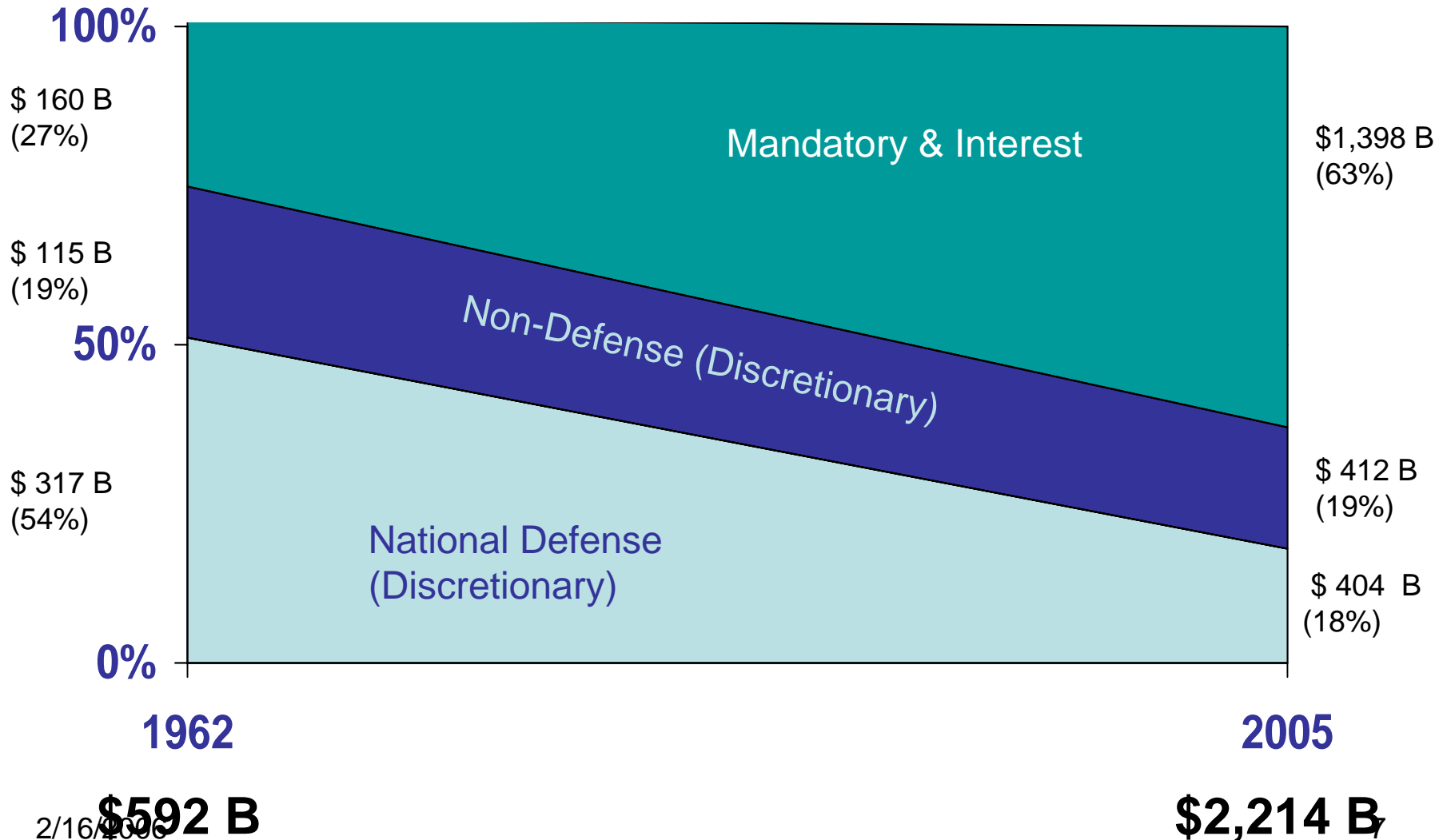
FY 07 AMMO Request (\$B): Army \$1.9 USN/USMC \$0.8 USAF \$1.0

Missile Request: Army \$1.4 USN/USMC \$ 2.5 USAF \$4.2

What I think I know?

% Discretionary / Mandatory Federal Outlays

(FY2006 Budget Historical Tables – FY 2000 \$B)



POLITICAL WASHINGTON

**FY07 FEDERAL BUDGET
(\$ 2.7 Trillion)**

**Discretionary
(\$ 871 Billion)**

**Defense
(\$ 439 Billion)**

**Ammo
(\$ 3.7 B + Supps)**

2006 Election Year Positioning

Political Washington Issues

- 2006 election tactics and media coverage
- Patriot Act extension
- Lobbying and “earmarking”
- Tax relief, deficit & national debt reduction
- Debt ceiling increase
- Entitlement growth reduction
- FY07 Appropriations
- 2006 election tactics and media coverage

Earmarking

-- More than just “pet projects”

- Process to reflect Congressional priorities in President’s federal budget
 - Entitlements
 - Taxes
 - Discretionary spending
- Real issues of process rigor, Congressional oversight, transparency and openness
 - No late, out-of-scope “stuff”
 - Control or limit extent of “channeling” resources

Congressional Budget Schedule

- February 6th – President submits Budget
- Mid- March – Start FY06 Supplemental
 - Possible completion: end of April
 - Most probably completion just before May recess
- March 15- April 1 – House & Senate pass Budget Resolutions
- April 15 – Concurrent Budget Resolution done and HASC/SASC start Authorization Bills
 - Entitlement cost growth
 - Tax reductions/revenue increases
 - Deficit reduction
- May 15th – FY 07 Appropriations process starts
 - Defense early start & early finish
 - Defense early start & late finish
 - Defense late start & late finish

What I think?

Supplementals (\$B)

(Assumes \$7B/month burn rate)

Year	'03	'04	'05 Bridge	'05	'06 Bridge	'06
MILPERS	13.4	17.8	1.3	17.4	6.2	19.0
OPS	31.2	39.2	16.4	37.1	33.2	24.0
Procurement	1.3	5.5	1.4	17.4	8.0	<i>16.-25.</i>
Other	16.5	2.2	5.9	4.0	2.6	2.0
Total	62.4	64.7	25.0	75.9	50.0	<i>61.-70.</i>

FY 07 DoD \$432-435B: slightly less than request

Supplementals (\$B)

(Assumes \$7B/month burn rate)

Year	'03	'04	'05 Bdge	'05	'06 Bdge	'06	'07 Bdge	'07 w/ FY 08 Budget
Pay	13.4	17.8	1.3	17.4	6.2	~19.	~ 6.5	<21.
O&M	31.2	39.2	16.4	37.1	33.2	~24.	<33.	<24.
Acq	1.3	5.5	1.1	17.4	8.0	16.-25	>8.	>23.
Othr	16.5	2.2	5.9	4.0	2.6	~2.	2.6	~ 2.
Total	62.4	64.7	25.0	75.9	50.0	61.-70	50.0	<70.

QUESTIONS

Back Up Slides

FY 2006

Defense Bill Summary

- **Authorizers essentially approved President's Request**
 - Pressure on Cost Containment and Acquisition Reform
- **\$410B Defense Appropriations Bill signed 30 Dec**
 - HAC - \$3B
 - SAC - \$7B
 - Conference - \$8.6B (-1% deficit reduction cut)
 - '06 Bridge supplemental appropriated additional \$50B
 - \$300M for Ammo
 - Late Service push for procurement funds
 - Included Katrina relief and DoD support Bill payer
 - Congressional adds being reviewed before release

FY 2007 Budget Cycle

DoD View

- FY 2007 Budget submitted
 - Approx \$439B with 4.5% real growth
 - QDR results considered; most \$ changes in '08 POM
 - Defeat terrorist networks
 - Counter WMD weapons
 - Deter China, India and Russia
 - Create robust homeland defense
- Late Feb (\$70B) FY06 Emergency Supplemental request
- Buying power continuing to be eroded by Health Care and Fuel Costs
- Continuing issue of balance between near term readiness and investing for the future
- FY 2007 budget assumes two FY 2007 Supplementals

FY 2007 Budget Cycle

Congressional View

- Republican Congress unlikely to increase Defense top line
 - Congress has reduced PB for the last several years
- Defense remains under pressure from domestic bills
- Political Washington preparing for November elections:
 - Many issues
 - Two possible scenario's
 - Timely Appropriations
 - Short CRA with possible Lame Duck session of Congress
- Congress will finish FY 2006 Supplemental then move FY07 Defense request and “Bridge Supp” together

FY 2006 Defense Appropriations Summary (\$B)

President's Budget

TOTAL	419.3
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Major Appropriations:

MILPERS*	98.2
O & M	126.9
Procuremnt	76.6
R & D	69.4
Gen. Provns	

Congressional Action

HAC	SAC	Final Appropriation
416.3	412.3	410.8

97.4	95.7	106.8
124.1	125.0	1426
76.8	75.8	76.2
71.1	70.4	71.0
-1.6	-1.9	-6.4

*Excludes Retired Pay Accrual