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)

<table>
<thead>
<tr>
<th>Year</th>
<th>‘03</th>
<th>‘04</th>
<th>‘05 Bridge</th>
<th>‘05 Bridge</th>
<th>‘06 Bridge</th>
<th>‘06</th>
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<tbody>
<tr>
<td>MILPERS</td>
<td>13.4</td>
<td>17.8</td>
<td>1.3</td>
<td>17.4</td>
<td>6.2</td>
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<td>OPS</td>
<td>31.2</td>
<td>39.2</td>
<td>16.4</td>
<td>37.1</td>
<td>33.2</td>
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<td>Procurement</td>
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<td>17.4</td>
<td>8.0</td>
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<td>4.0</td>
<td>2.6</td>
<td></td>
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<tr>
<td>Total</td>
<td><strong>62.4</strong></td>
<td><strong>64.7</strong></td>
<td><strong>25.0</strong></td>
<td><strong>75.9</strong></td>
<td><strong>50.0</strong></td>
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How much longer will supplemental funding continue?
## FY 05/06 Appropriations
### FY 07-10 Budget/POM

<table>
<thead>
<tr>
<th>Year</th>
<th>‘05</th>
<th>‘06</th>
<th>‘07</th>
<th>‘08</th>
<th>‘09</th>
<th>‘10</th>
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<tbody>
<tr>
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<td>O &amp; M/Other</td>
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<td>156.5</td>
<td>171.1</td>
<td>179.1</td>
<td>185.0</td>
<td>188.9</td>
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</tbody>
</table>

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

- **Missle 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)

- Mandatory & Interest:
  - 1962: $592 B (27%)
  - 2005: $1,398 B (63%)

- Non-Defense (Discretionary):
  - 1962: $317 B (54%)
  - 2005: $412 B (19%)

- National Defense (Discretionary):
  - 1962: $115 B (19%)
  - 2005: $404 B (18%)

- National Defense (Discretionary) is the smallest category with a 19% share in 1962 and an 18% share in 2005.

- Non-Defense (Discretionary) is the second largest category, increasing from 54% to 19% over the same period.

- Mandatory & Interest are the largest category, increasing from 27% to 63%.

- The total federal outlays increased from $592 B in 1962 to $2,214 B in 2005.
FY07 FEDERAL BUDGET
($ 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)

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<tr>
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<td>Procurement</td>
<td>1.3</td>
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<td>16.5</td>
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<td>5.9</td>
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<td>75.9</td>
<td>50.0</td>
<td>61.-70.</td>
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*FY 07 DoD $432-435B: slightly less than request*
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(Assumes $7B/month burn rate)

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<td>Acq</td>
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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

<table>
<thead>
<tr>
<th>Major Appropriations</th>
<th>President’s Budget</th>
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<tbody>
<tr>
<td><strong>TOTAL</strong></td>
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## Congressional Action

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<tr>
<th>HAC</th>
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<td>416.3</td>
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### Major Appropriations:

<table>
<thead>
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<th>MILPERS*</th>
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<tr>
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*Excludes Retired Pay Accrual

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2/16/2006