Congressional Budget Outlook
A Quick Look

2010 NDIA Ammo Summit
February 10, 2010
What We Know: It’s election year!
(Feb ’10)

• Scott Brown – a primary, election preview?
• Deficit spending continues but under withering pressure – “domestic spending freeze”, “pay/go” & taxes
• Pressure to accomplish “change” continues
  – Scott Brown pivot? Jobs: “It’s the economy, stupid”
  – Health care in the background
• HASC Leadership Changes:
  – McKeon for McHugh (Sec Army)
  – Adam Smith for Abercrombie

Watching democracy in action!!
What We Know
(Feb ’10)

• International events shape environment & budget process
• Administration’s agenda presumed defense savings
  – No ‘war on terrorism’ but defense at Bush funding levels
  – SecDef Gates staying worth percentage points of budget
• QDR details visible in POM12-17
  – From 2 “large-scale wars” to “small-scale wars on terror”
  – Congressional Review Panel – an alternative perspective
  – Inter-service competition will effect deliberations
  – Ammo remains an acceptable bill payer account

How long does 11/5 + 12/25 = 9/11 = OCO$ ?
2010 Congressional FY11 Budget Schedule
(Out early Oct for election)

Lame Duck possible if change of control
Terrorist attack can completely change everything

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(Out early Oct for election)

• Defense fights for floor time
• Congressional Budget Resolution: April 15
• Defense hearings start now:
  – Authorization bills: May-June
  – Appropriations bills: June-July
  – Defense Conferences: September
    • Possible CR for domestic agencies
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Primary results can ABSOLUTELY change everything:
Texas March 2nd    California & Nevada June 8th

Terrorist attack can completely change everything

FY10 $33B Supp: Afghanistan & Haiti Support by July
2009 Congressional Budget

• Congressional budget defense allocation for DoD and DoE (“050”) mirrored PB10:

• FY 09: $693.6B
  – FY 10: $691.7B
  – FY 11: $619.8B
  – FY 12: $628.8B
  – FY 13: $639.5B
  – FY 14: $653.5B

$722B
$738B
$647B
$662B
$679B

Administration’s 1st year view of savings with “OCO persistent conflict” (~-10%)

And a domestic spending freeze
• No one wants to be seen as weak on “defense”
  – BUT priority is elsewhere
• Responding to invigorated Al Qaeda *could*
  sustain elevated “OPTEMPO” and budgets
  – Persistent Conflict & OCO
What I Think We Know?
(Feb ‘10)

• No one wants to be seen as weak on “defense”
  – BUT priority is elsewhere
• Responding to invigorated Al Qaeda could sustain elevated “OPTEMPO” and budgets
  – Persistent Conflict & OCO
  – Persistent budget volatility or “business risk”
  – Down turn is moving to the right!
• Future administrations will be constrained by DEBT
  – “Soft Landing” looking more like “Risk Management” and asset redeployment

Administration needs Iraq/Afghan success to provide “capital” for its domestic agenda – tipping point over the next hill
What I Think?  
(Feb ’10)

• Watch the primaries – be involved!!
• Ammo program prospects unchanged from recent past
• SMCA’s “implied” task is sustainment of a surge able production base for a portfolio of evolving PoRs
  – Challenge: “Implied” requirements in a requirements based budget process
  – Context: Portfolio Management & internal trade offs
    • Management tools (IBAT and MSR data) available
• Enterprise GOAL: “surge able” base (federation of programs) with fewer “single points of failure” for 2020 conventional and precision munitions portfolio

Incentivize (pay) MIB to establish ‘elastic’ production & management processes to lower sustainment costs??
QUESTIONS/DISCUSSION
Back Up Slides
CBO’s View of FY 10 and Beyond

A Preliminary Analysis of the President’s Budget and an Update of CBO’s Budget and Economic Outlook
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<td>139</td>
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<td>142</td>
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<td>O&amp;M</td>
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<td>297 (+20)</td>
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<td>Proc (Ammo)</td>
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<td>135 (+4)</td>
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<td></td>
<td>(5.4)</td>
<td>(5.0)</td>
<td>(5.1) (+0.02)</td>
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<td>(3.8+)</td>
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<td>708</td>
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<td>Supp / OCO</td>
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Volatility in OCO funding

Procurement/R&D ratios now ~1.8:1 – NOT 4:1
## Supplementals ($B)

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<tr>
<th>Year</th>
<th>FY06</th>
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<th>FY08</th>
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