

Congressional Budget Outlook

A Quick Look

\$ K M B T

CAUTION:
Eye charts
to
follow

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

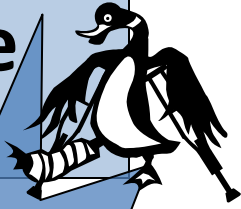
(Feb '10)

- **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

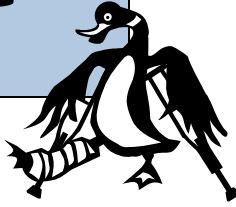
(Out early Oct for election)



***Lame Duck
possible if
change of
control***

2010 Congressional FY11 Budget Schedule

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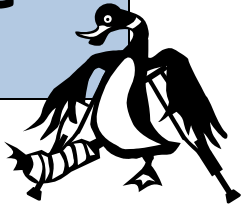


- Defense fights for floor time
- Congressional Budget Resolution: April 15
- Defense hearings start now:
 - Authorization bills: May-June
 - Appropriations bills: June-July
 - Defense Conferences: September
 - Possible CR for domestic agencies

Terrorist attack can completely change everything

2010 Congressional FY11 Budget Schedule

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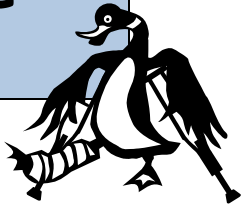
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**FY10 \$33B Supp:
Afghanistan & Haiti
Support by July**

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Primary results can ABSOLUTELY change everything:

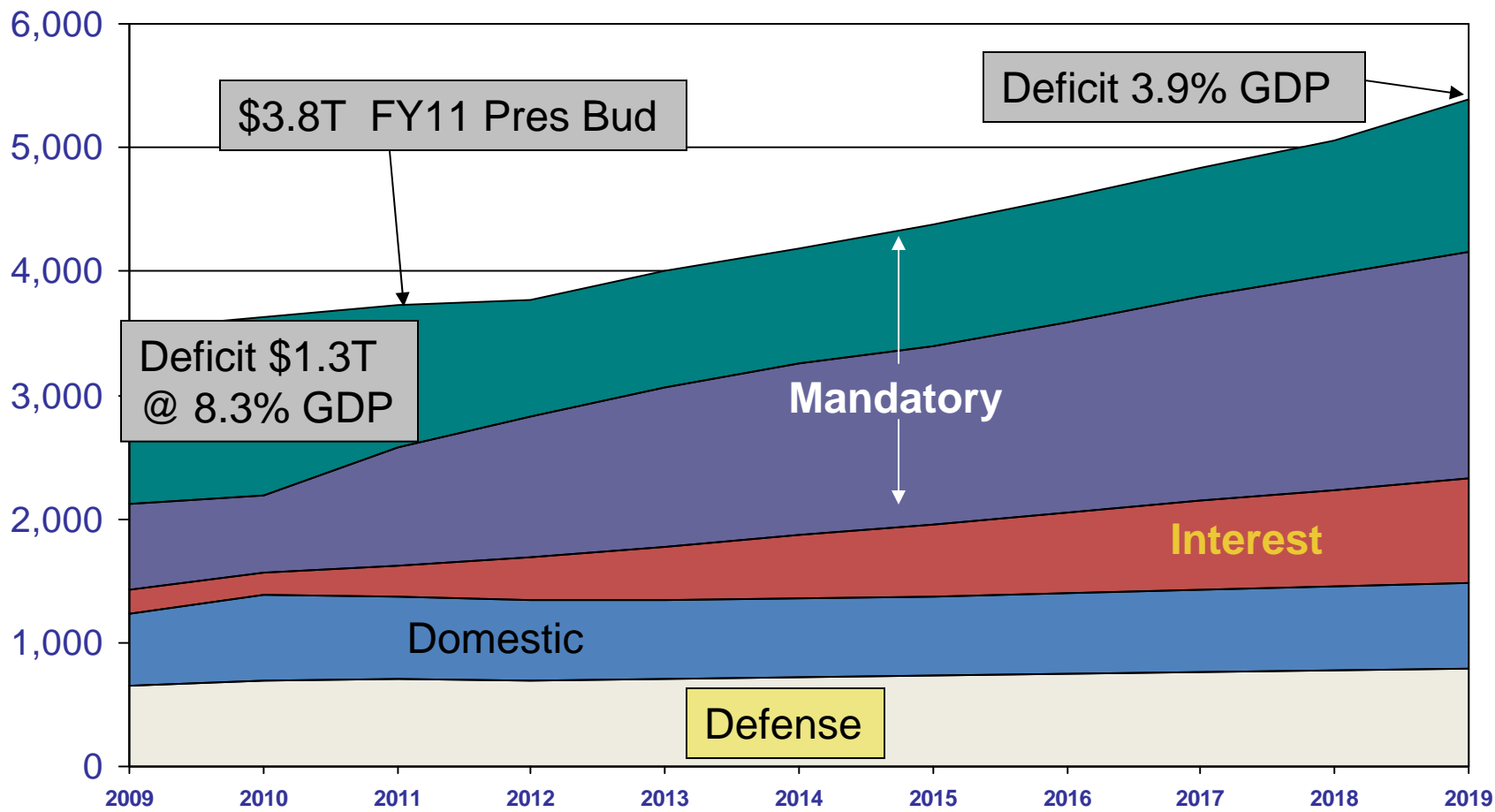
Texas March 2nd

California & Nevada June 8th

Terrorist attack can completely change everything

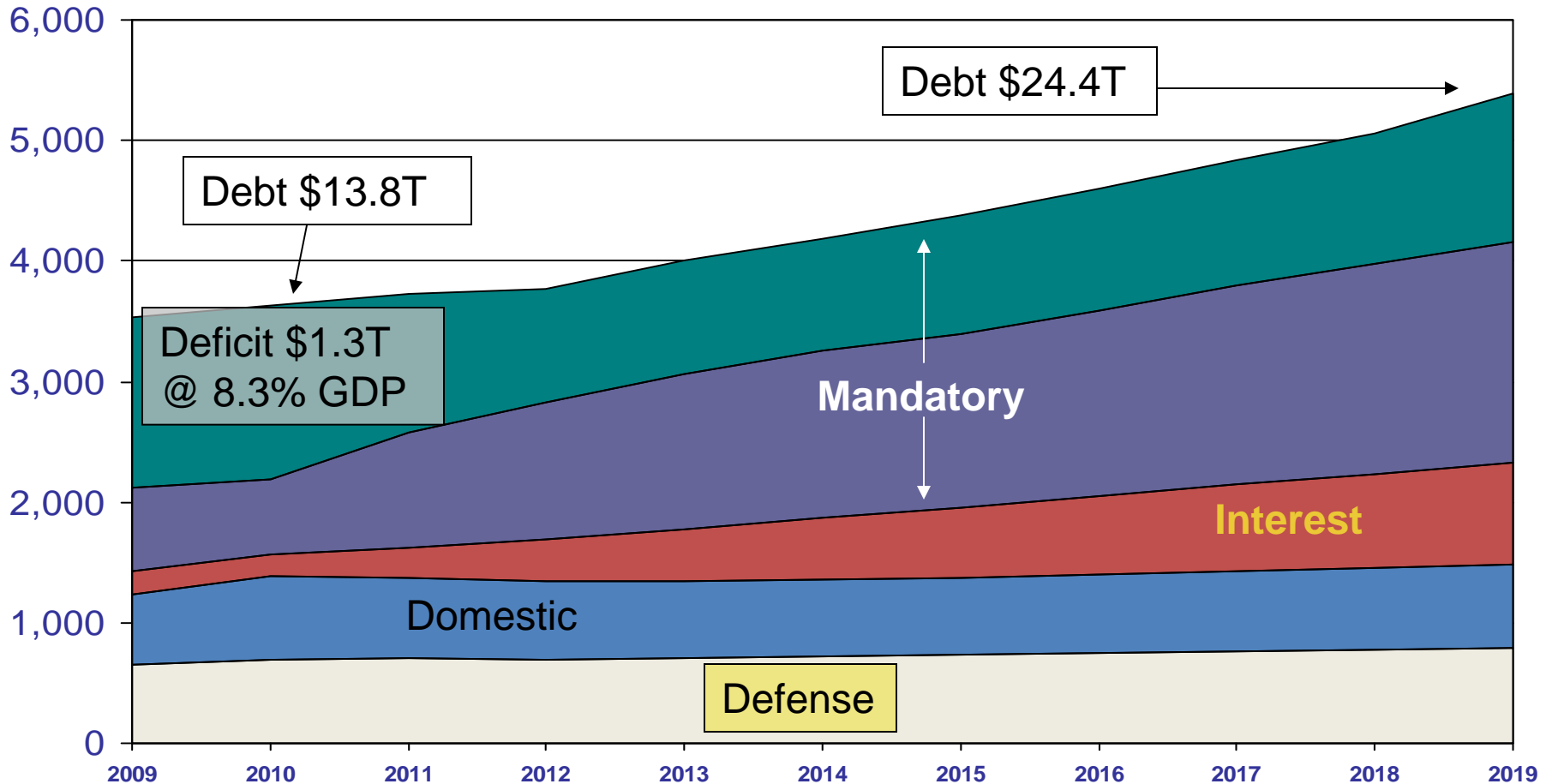
Federal Outlays & Deficit Estimate

Deficit, Mandatory, Interest & Discretionary (\$B) – Table 1-3/S-3



Federal Outlays & Deficit Estimate

Deficit, Mandatory, Interest & Discretionary (\$B) – Table 1-3/S-3



Fiscal Commission for Deficit Reduction

2009 Congressional Budget

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

- FY 09: \$693.6B

- FY 10: ~~\$691.7B~~ → **\$722B**

- FY 11: ~~\$619.8B~~ → **\$738B**

- FY12: ~~\$628.8B~~ → **\$647B**

- FY13: ~~\$639.5B~~ → **\$662B**

- FY14: ~~\$653.5B~~ → **\$679B**

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

And a domestic
spending freeze

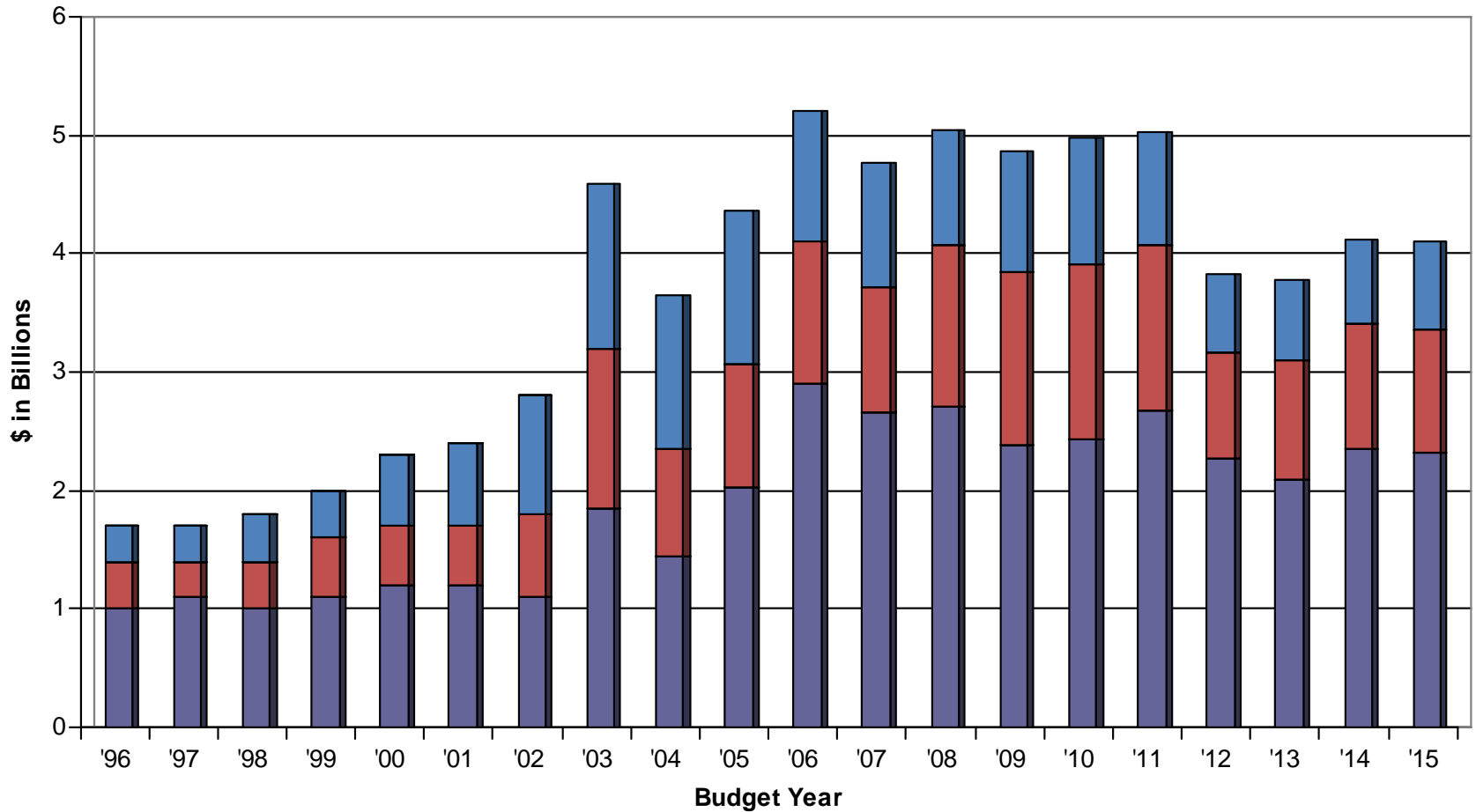
What I Think We Know?

(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

Ammo Funding (\$B)

(no OCO\$ shown after '11)



■ APA ■ PA,N ■ PA,AF

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- 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

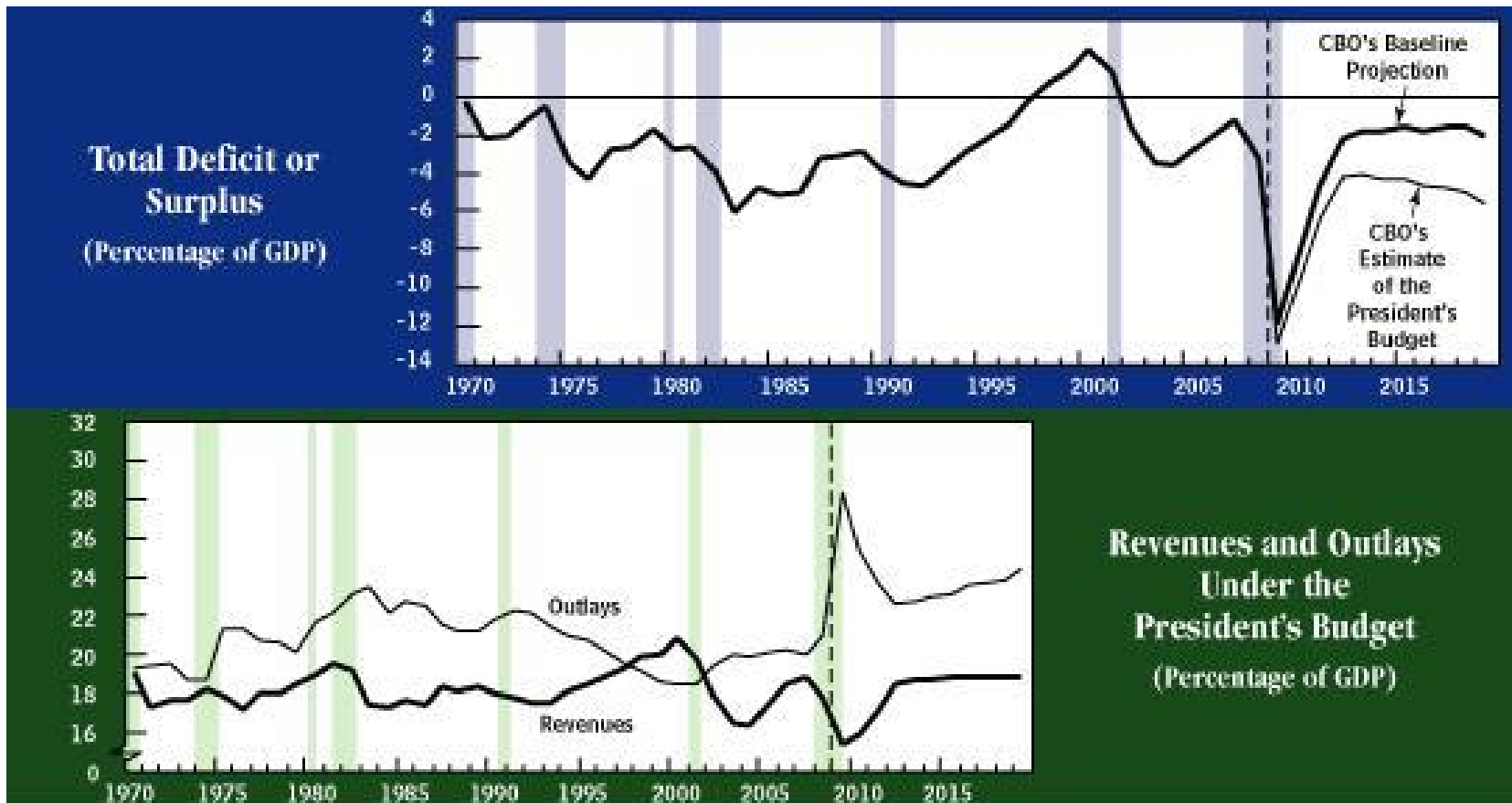
Incentivize (pay) MIB to establish 'elastic' production & management processes to lower sustainment costs??

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



DOD (051) Budget Authority (\$B)

	2008	2009	2010	2011	2012	2013	2014
Pay	139	149	152 (+1)	154	142	146	150
O&M	256	272	297 (+20)	317	212	221	231
Proc (Ammo)	165 (5.4)	136 (5.0)	135 (+4) (5.1) (+0.02)	138 (5.0)	120 (3.8+)	124 (3.8+)	133 (4.1+)
R&D	80	80	81 (+2)	77	76	73	70
Other	35	31	26 (+2)	23	16	18	14
Total	675	667	693 (+33)	708	616	632	648
Supp / OCO	172 +16 MRAPS	146	163 (Supp +33)	159	(50)	(50)	(50)
Base	490	513	531	549	566	582	598

Volatility in OCO funding

Procurement/R&D ratios now ~1.8:1 – NOT 4:1

Supplementals (\$B)

Year	FY06	FY07	FY08	FY09	FY10 (OCO)	FY10 (Supp)	FY11 (OCO)
Pay	16.4	18.9	17.8	17.9	14.2	2.7	15.3
O&M	71.1	94.7	91.6	81.7	90.9	21.3	116.9
Proc (Ammo)	18.0	45.4	54.8 (1.3)	29.2 (0.8)	23.2 (1.3)	8.0 (0.02)	25.4 (1.6)
Other	5.3	6.5	8.3	12.9	1.8	1.5	1.7
Total	115.8	165.5	172.5	141.7	130.0	33.0	159.3