The Defense Budget:
Where We Are, Where We Are Going

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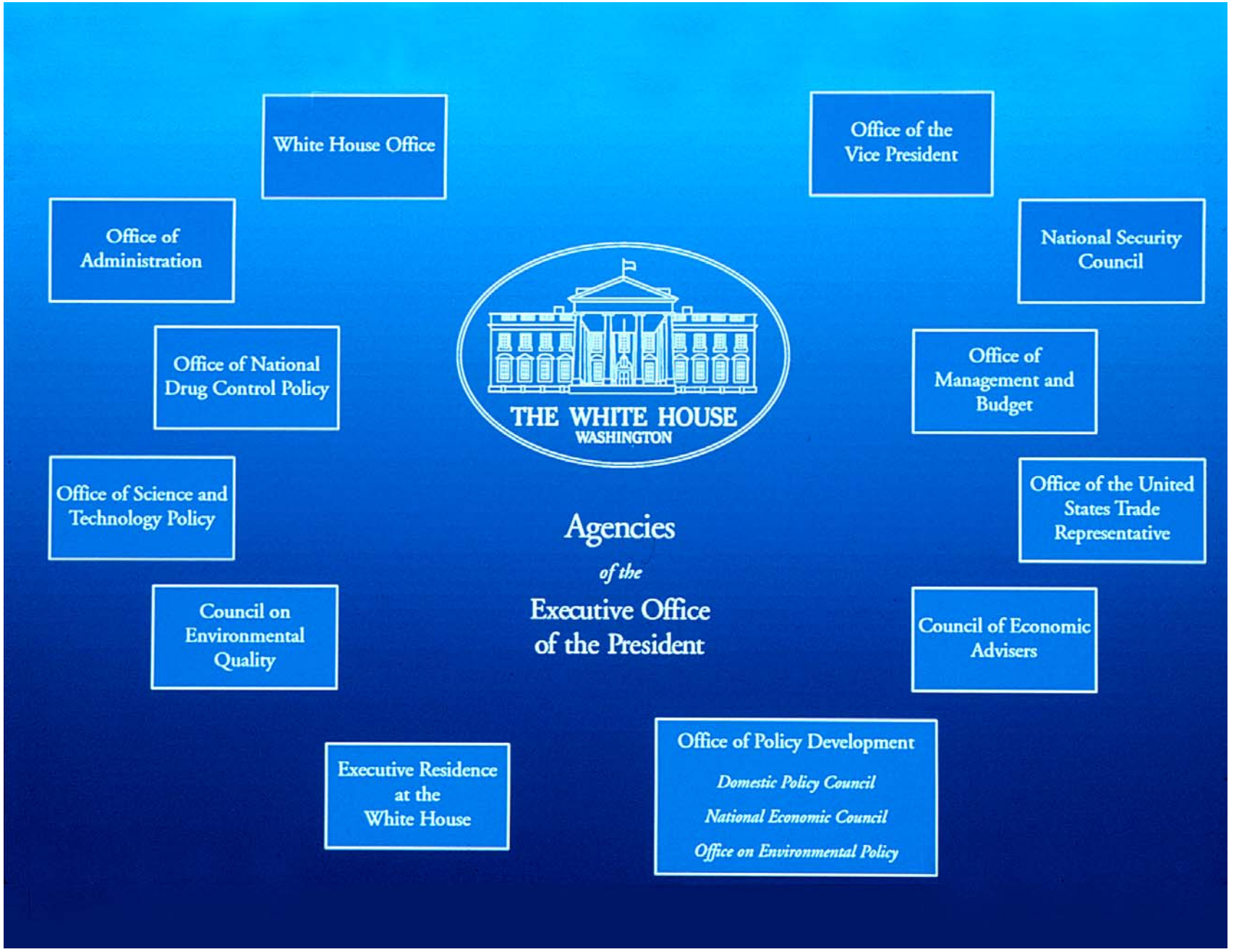
Agenda

- About OMB – Who We Are
- The Federal Budget Picture
- The Defense Budget
- Addendum: Acquisition Reform – No end in Sight

OMB: Who We Are

- **Small agency with 500 People**
- **Culture is non-partisan**
- **Serves as institutional memory for the Executive Office of the President**
- **Budget, legislative, management, and regulatory responsibilities**
- **Plays a key cross-cutting role in conflict resolution**

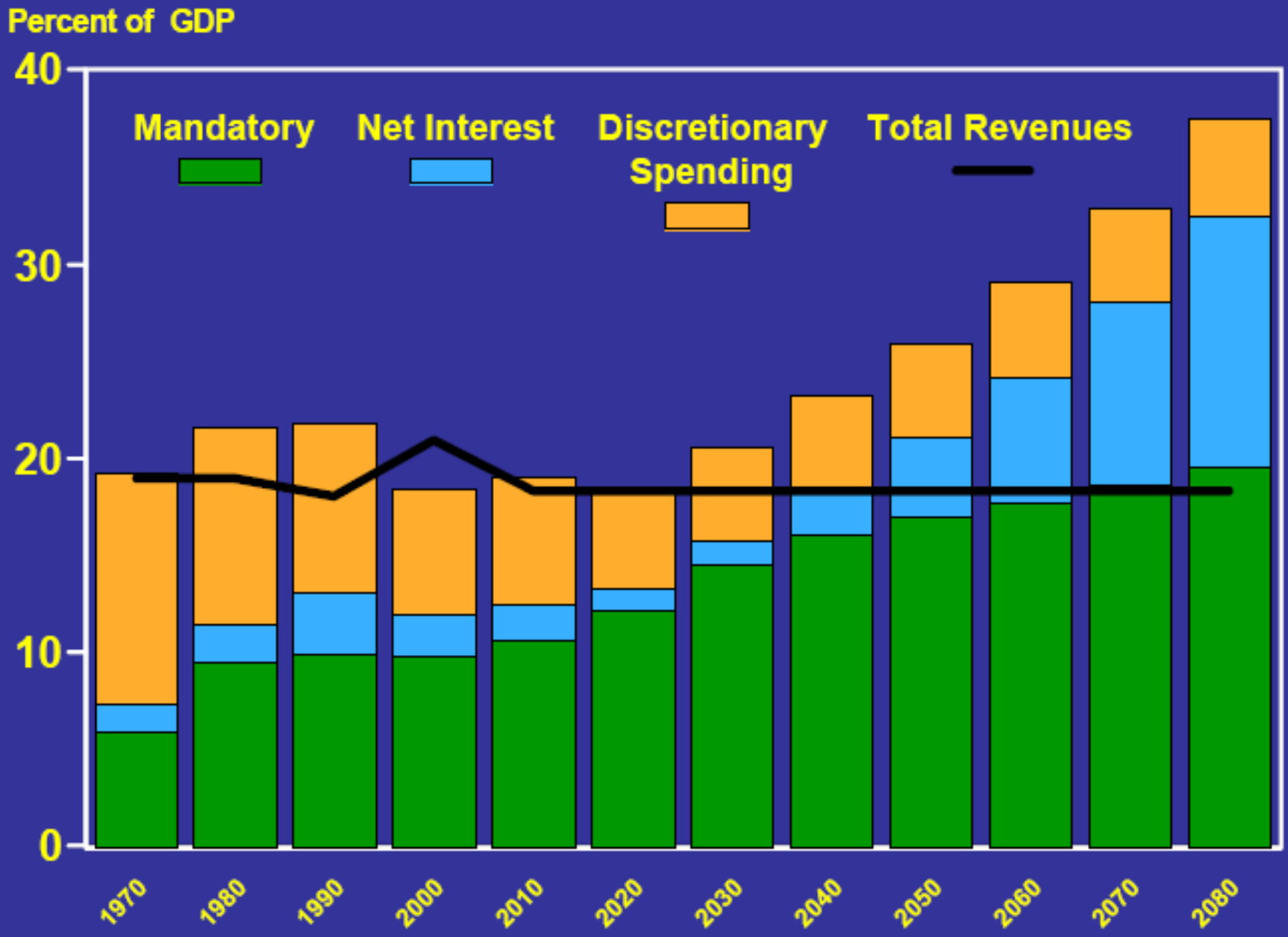
A role similar to OSD (Comptroller) and OSD(PA&E), but for entire federal government


White House Office
Office of the Vice President
Office of Administration
National Security Council
Office of National Drug Control Policy
Office of Management and Budget
THE WHITE HOUSE
WASHINGTON
Office of Science and Technology Policy
Office of the United States Trade Representative
Agencies
of the
Executive Office of the President
Council on Environmental Quality
Council of Economic Advisers
Executive Residence at the White House
Office of Policy Development
Domestic Policy Council
National Economic Council
Office on Environmental Policy

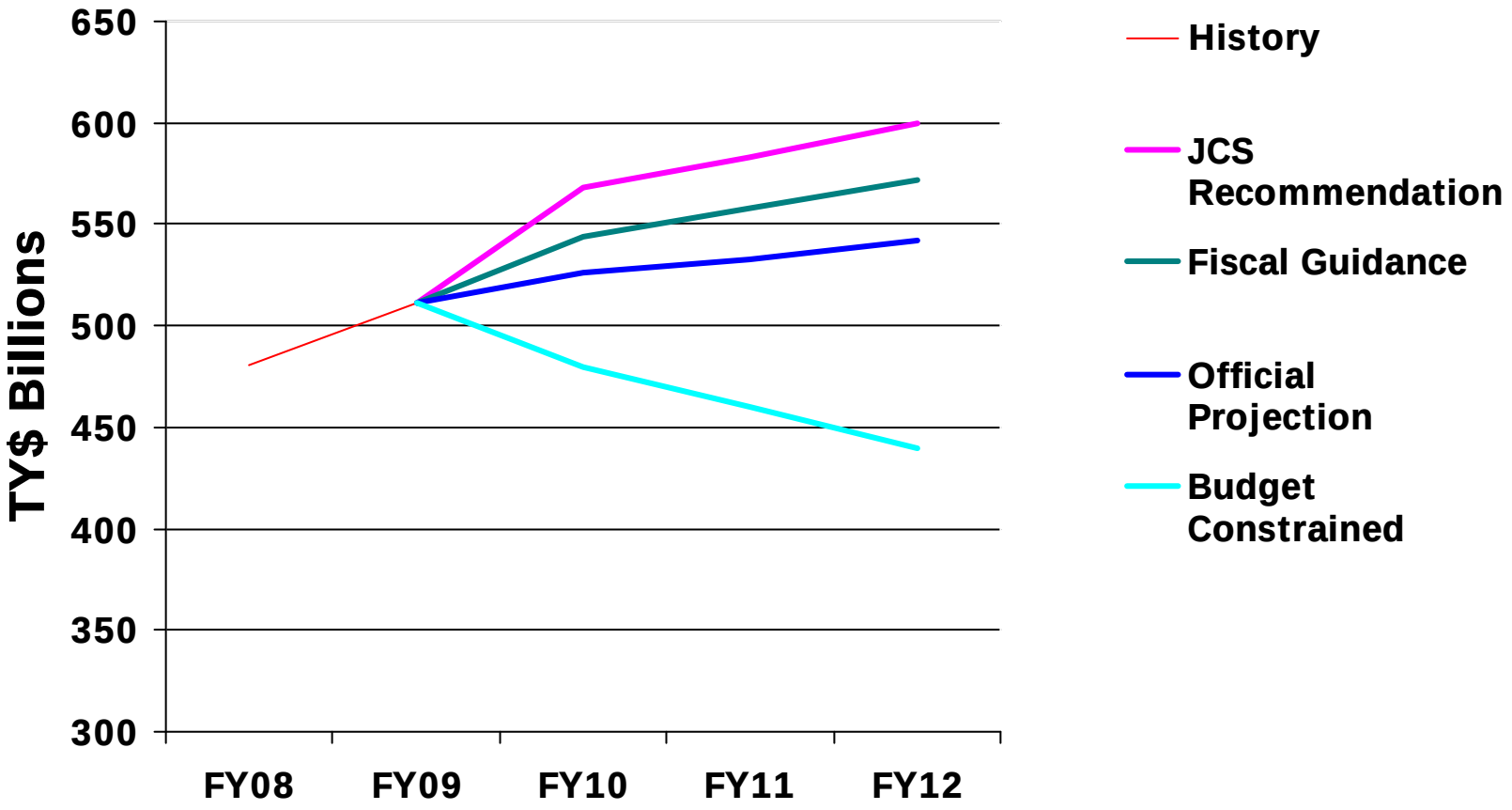
The Federal Budget Picture

- Annual budget process focuses on discretionary spending, or $1.3 trillion (45%) of the $2.6 trillion FY 2008 estimate (w/ supplementals)
- Remaining $1.6 trillion (55%) of the budget is comprised of mandatory programs, a major driver of fiscal deficit
- This Administration increased spending on defense and homeland security to more than half of total discretionary budget
- All other discretionary programs held to low or no growth
- Increases in defense spending and rising mandatory outlays have been balanced by low interest rates, strong GDP, and a recent boost in revenues – pre-recession
- FY 2008 estimated deficit -- $410B. Future trends show increasing deficit if no changes are made

Current Trends Are Not Sustainable

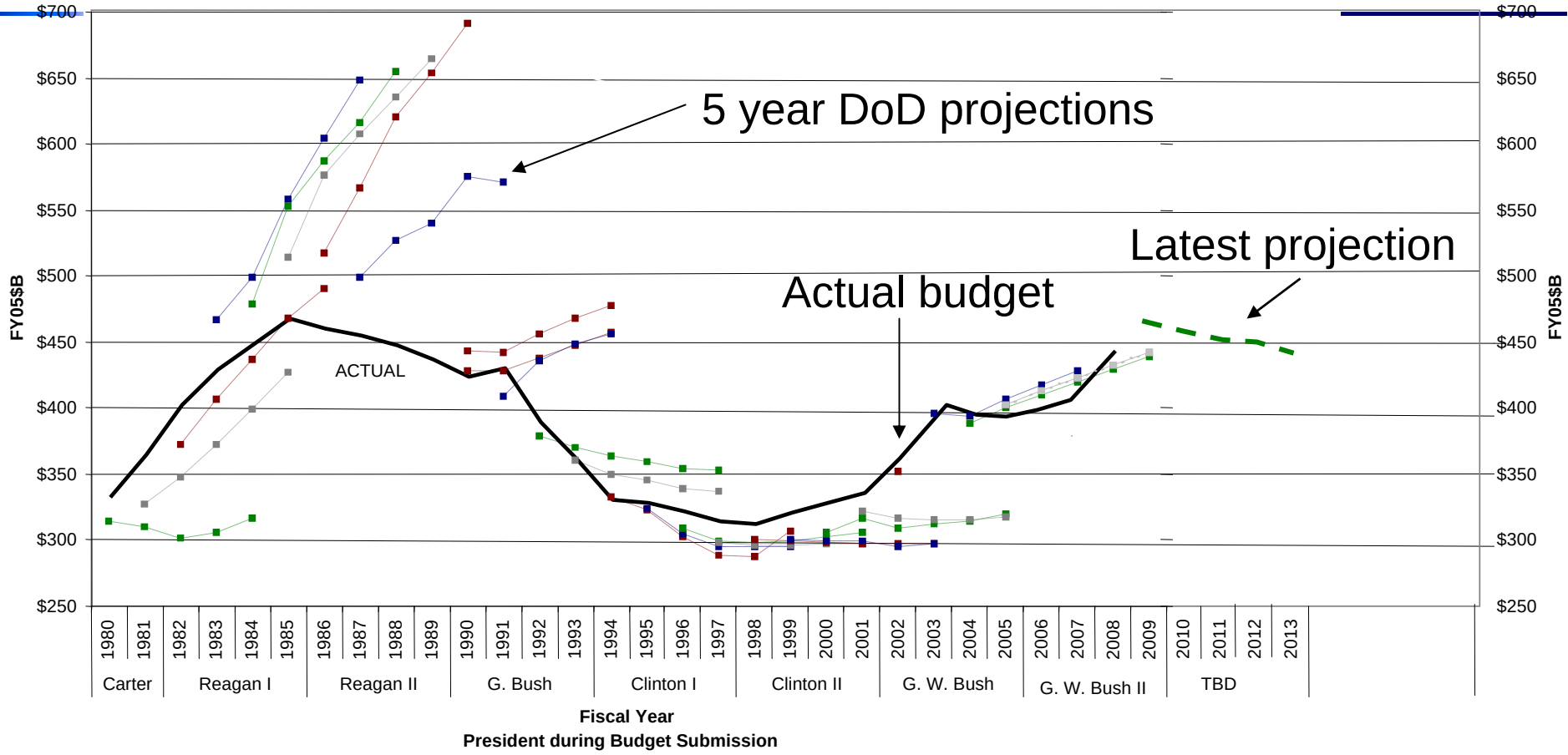


Fiscal Futures (excluding Supplementals)



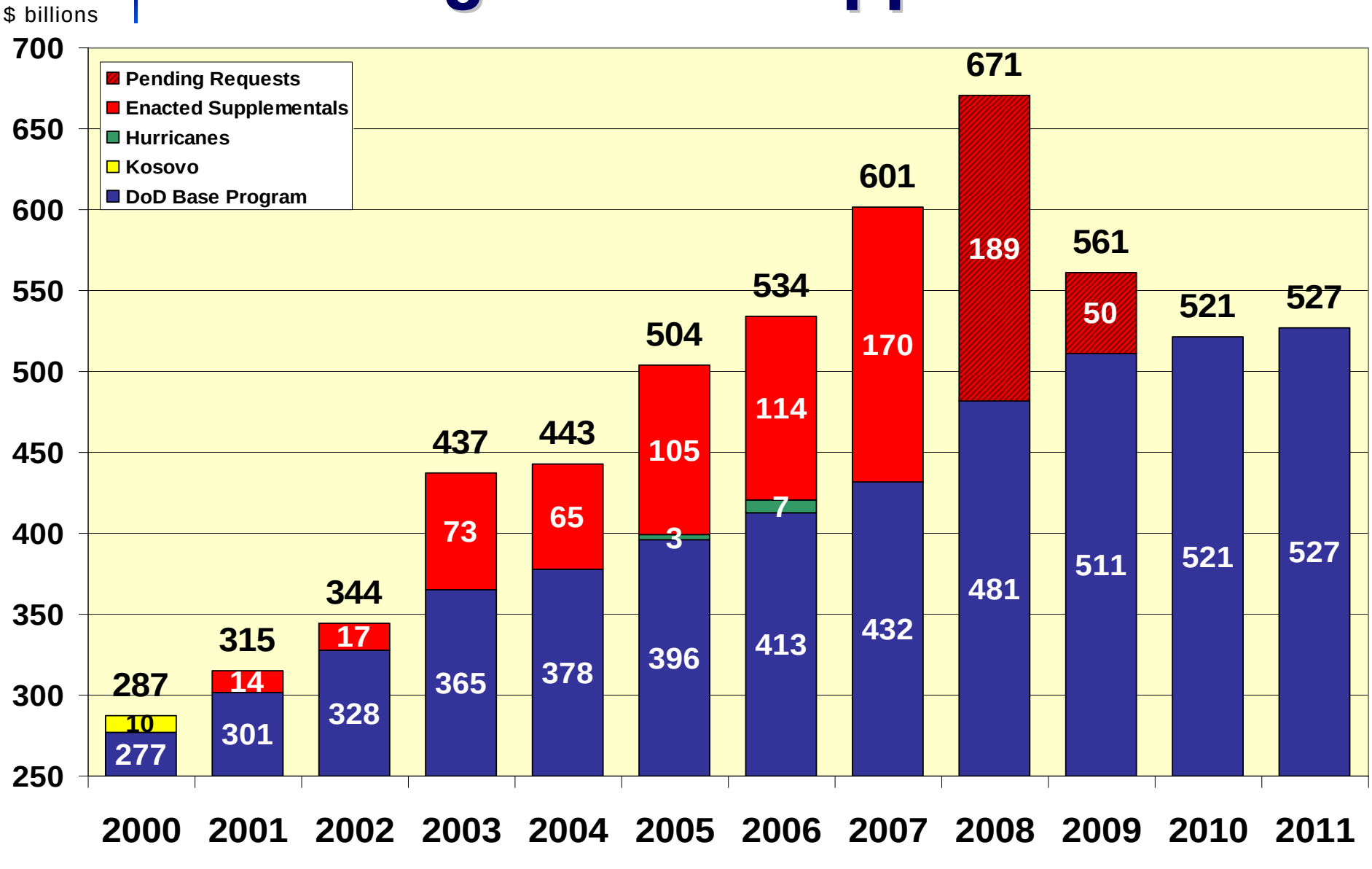
Budget Forecasting: The Difficulties

DoD 5 year Projections (dotted lines) v. Actual Budgets (solid lines)

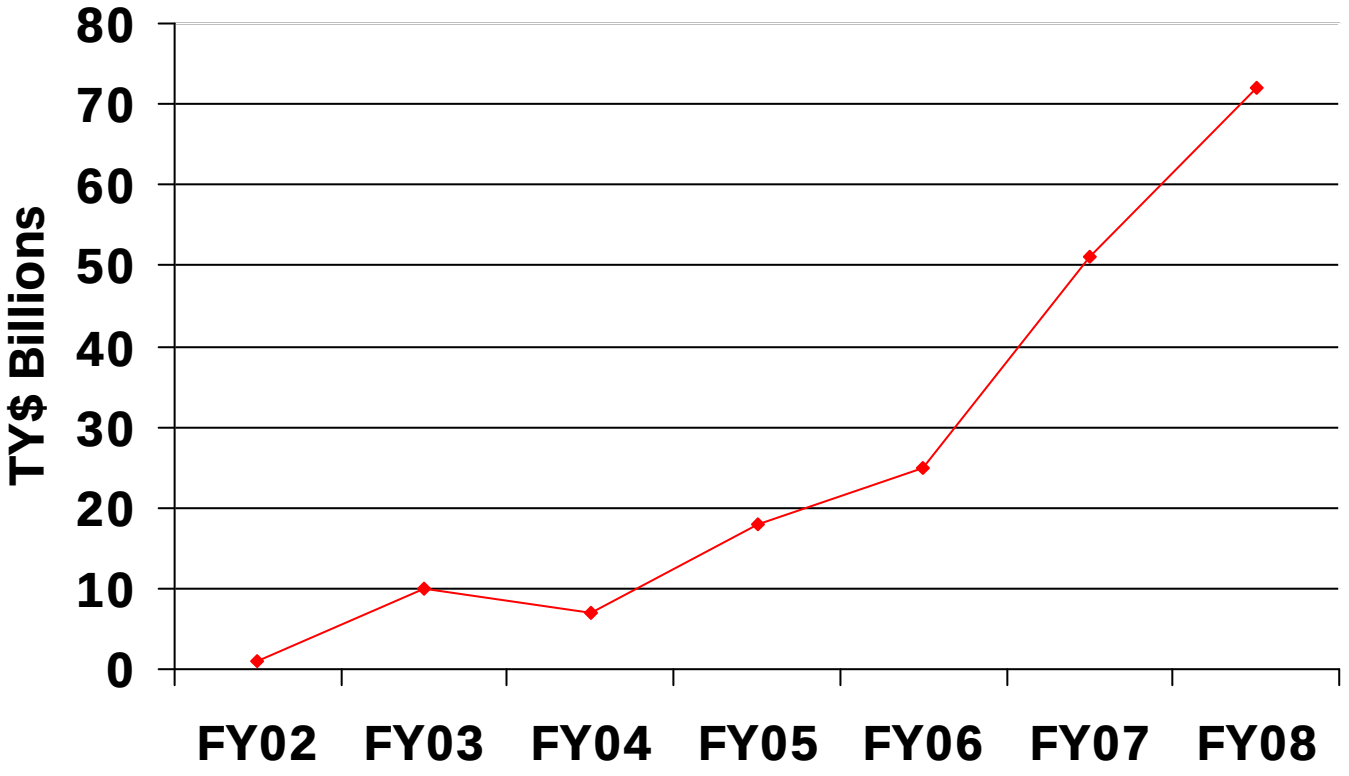


FY05$ calculated using TOA deflators in President's FY05 Budget Submission. FYDP projections have not been corrected for differences between expected and actual inflation.

Defense Topline: Base Program vs. Supplementals



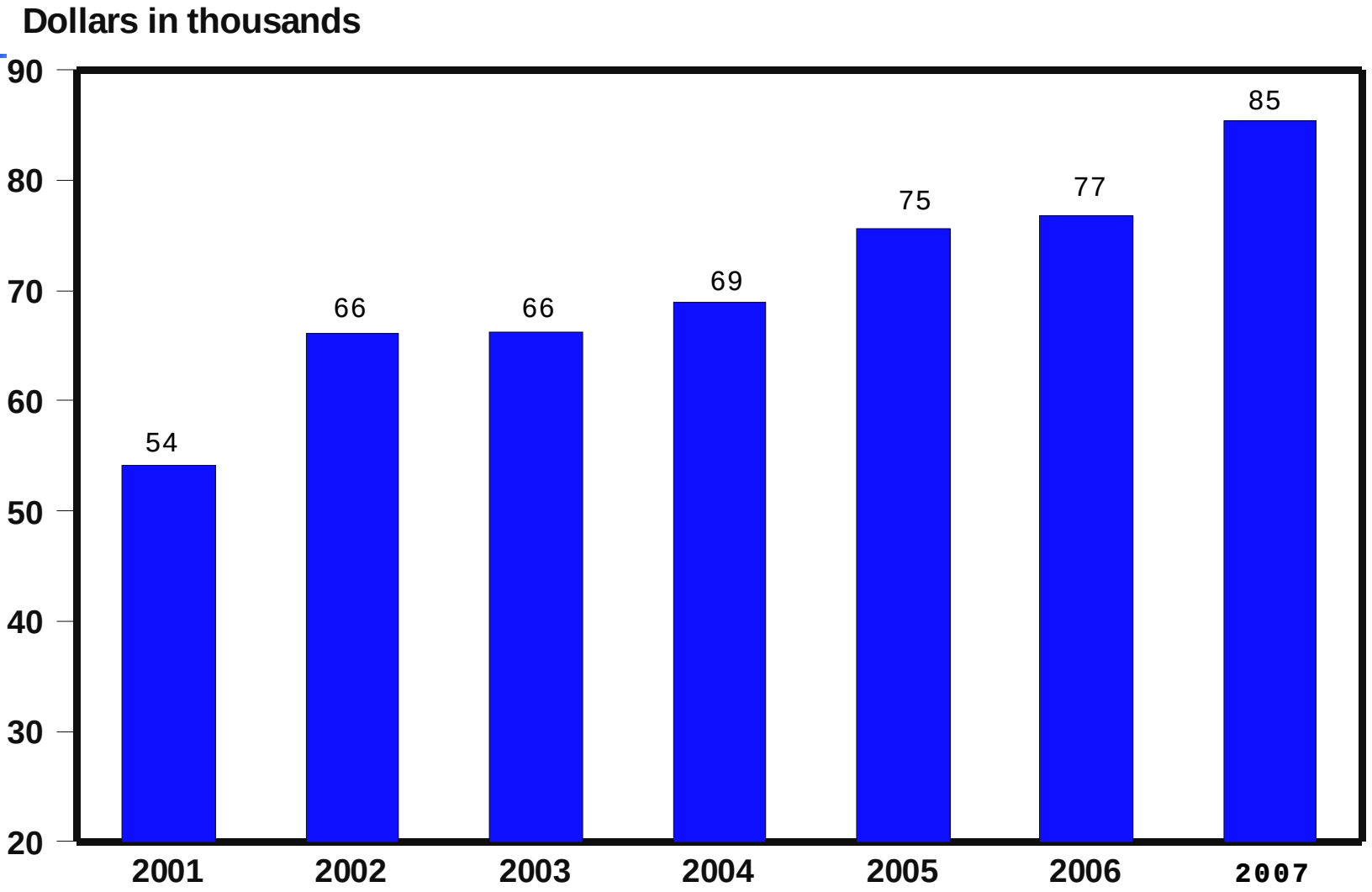
Procurement Funding in Supplementals



FY 2008 Base budget procurement -- $126B

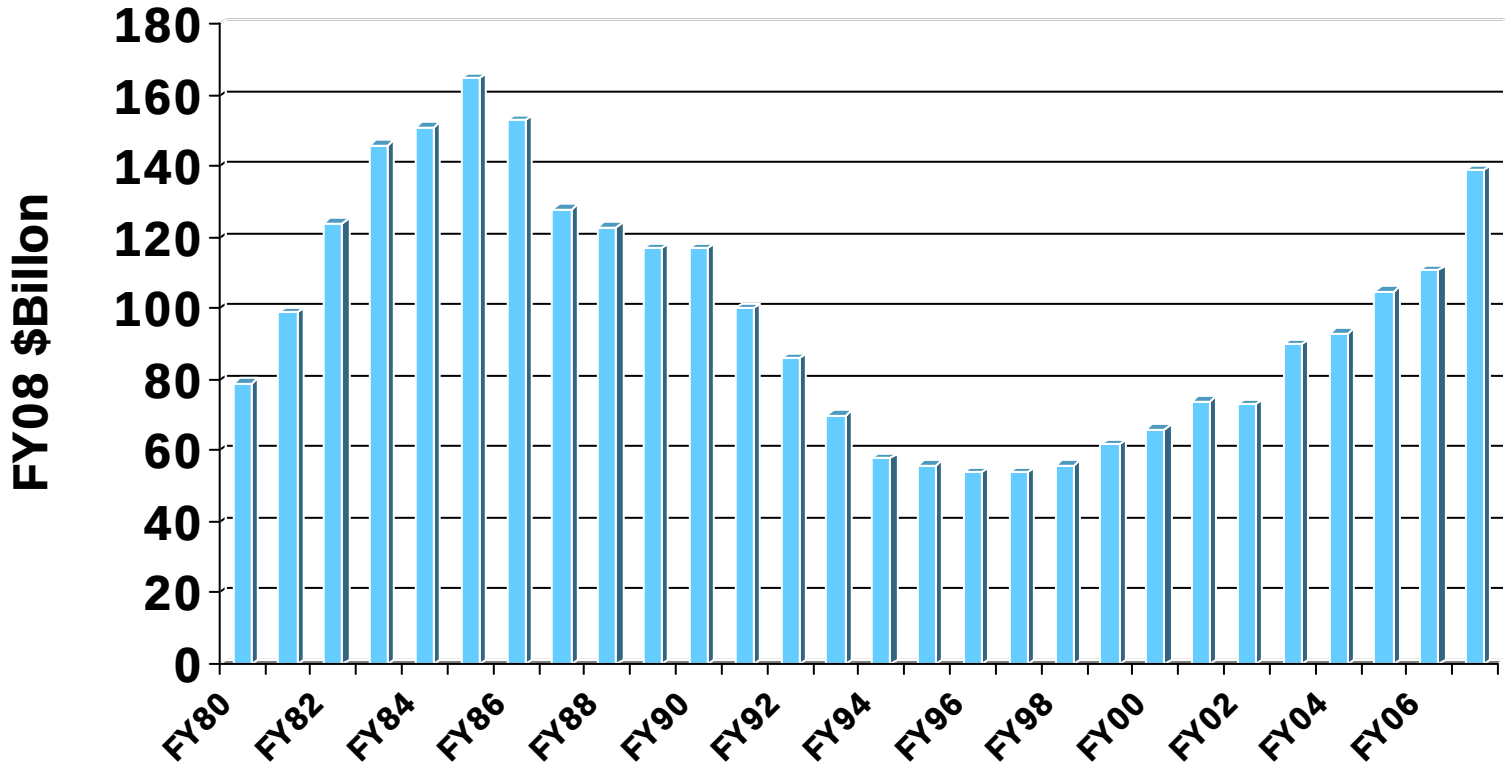
Military Pay and Benefits

Average Pay and Benefits per Active Duty Military Member

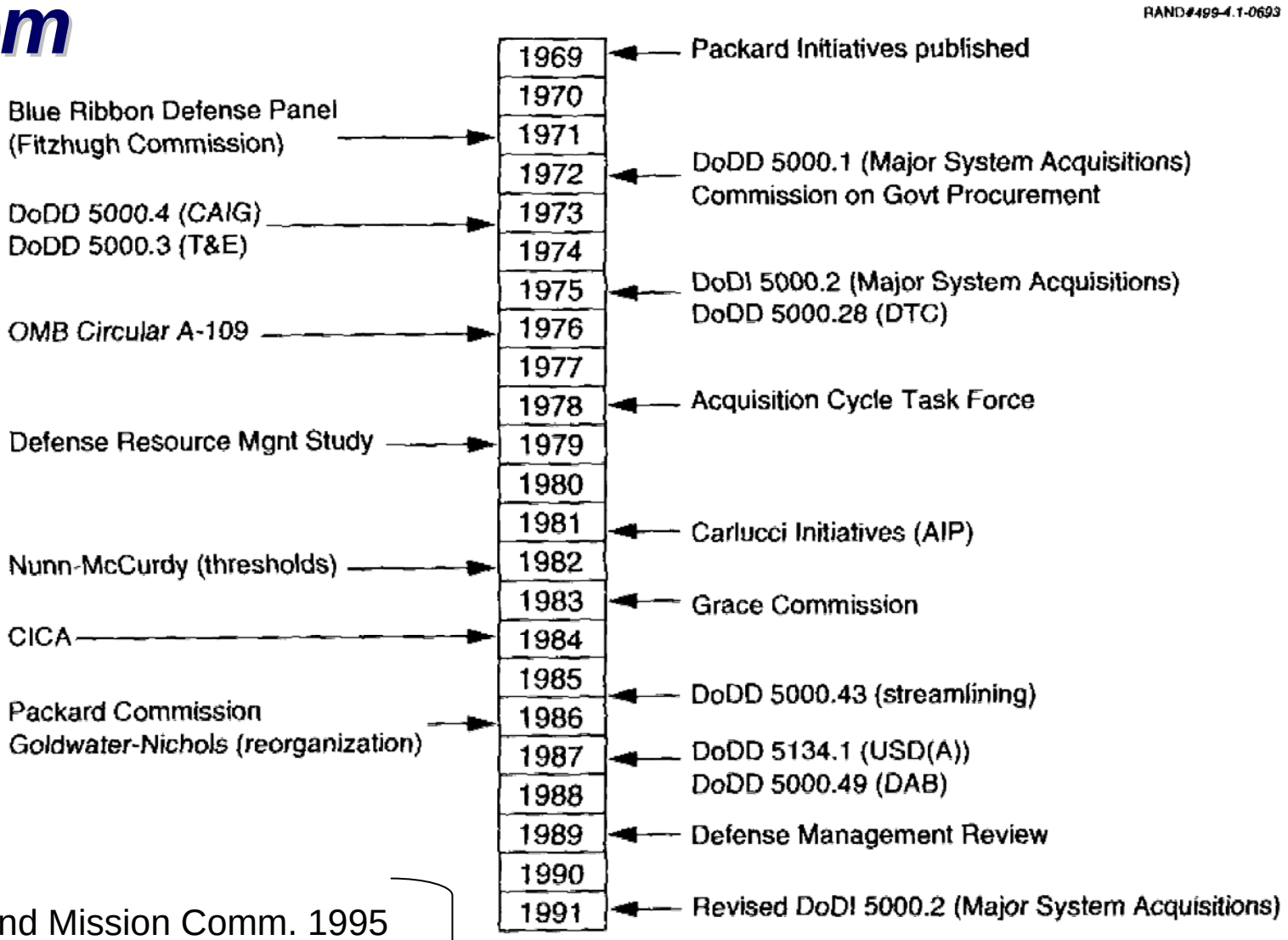


Note: Excludes Supplementals

Procurement has been the bill payer in budget downturns



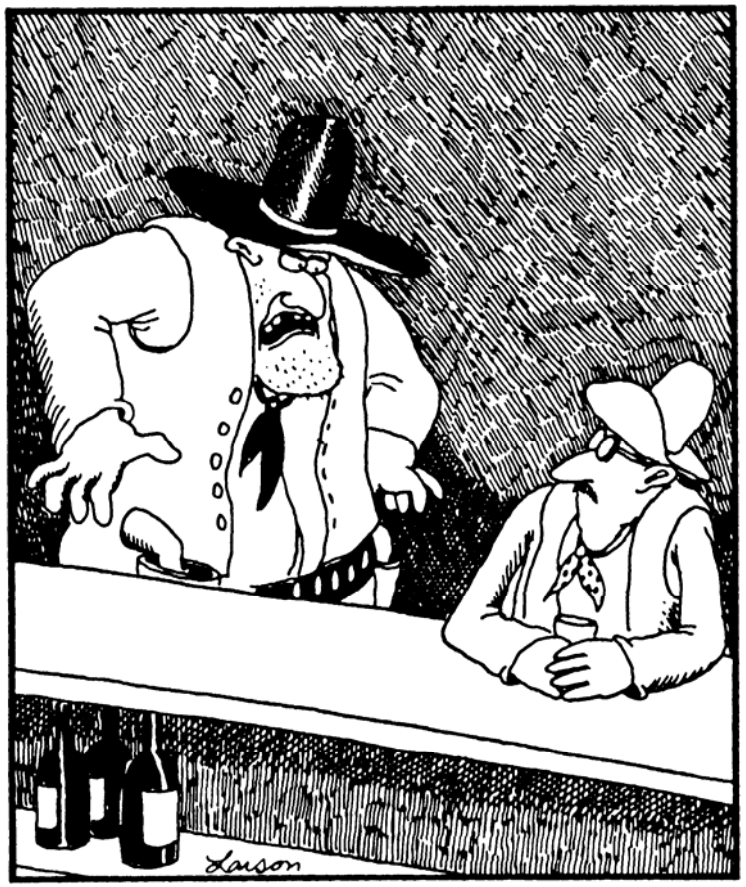
Addendum: Reforming the Acquisition System



Roles and Mission Comm. 1995
Revised DoDI 2000
Spiral development 2002
Contracting Reforms 2006

Contracting scandals, cost growth, schedule slippage

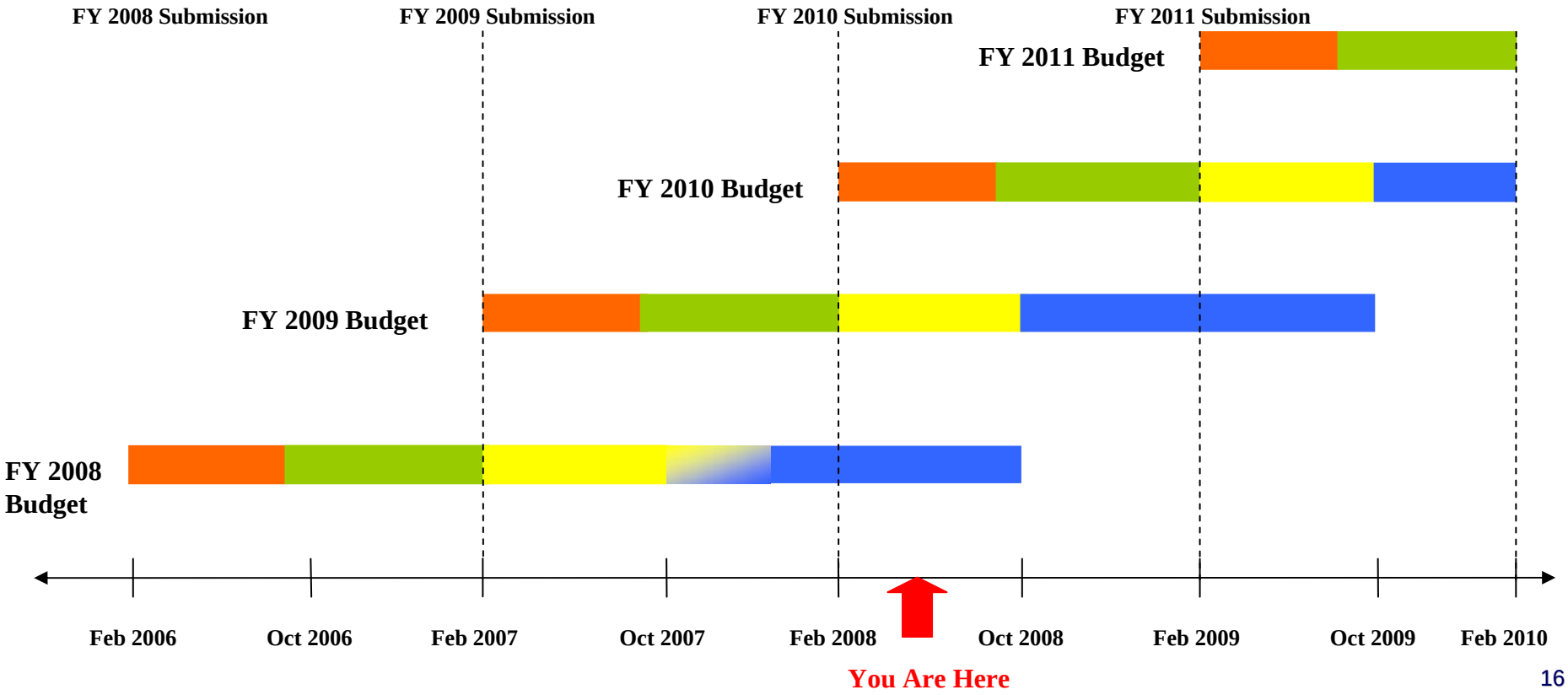
Questions?



Make my day ...Ask a question!

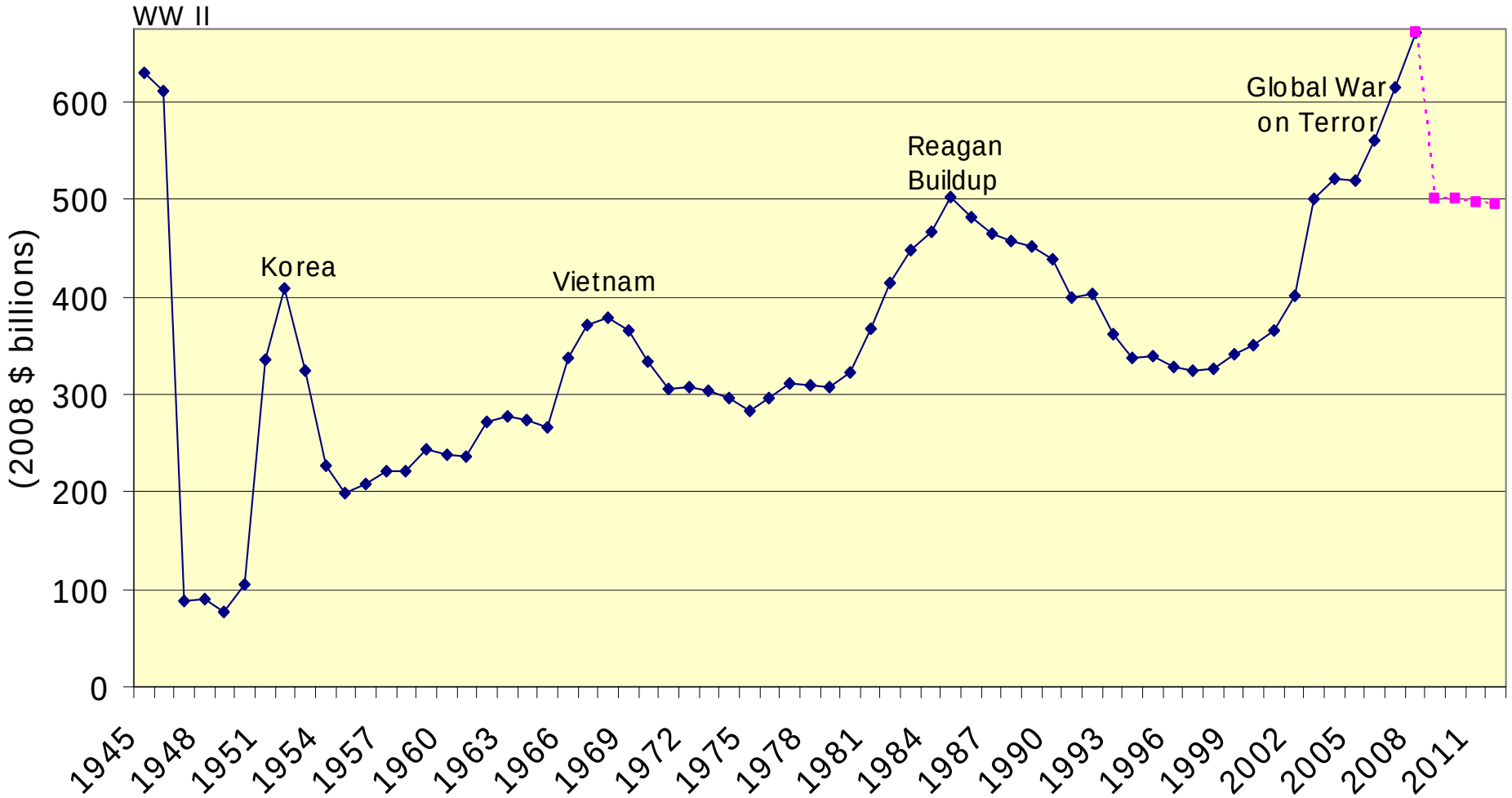
Overlapping Budget Process

Services Develop Request	OMB Reviews Request	Congressional Process	Budget Execution
-- Submit to OMB (Sept)	-- Joint Review -- Director's Review (Nov) -- Negotiation	-- Testimony & Hearings -- Markups & Negotiation -- Passage or Gridlock	-- Management Review -- Supplemental Requests -- Reprogrammings



The Defense Topline

(in constant dollars)



Defense Spending as a Percent of GDP