

US Department of Defense

NATIONAL CAPITAL REGION PDI BUDGET OVERVIEW

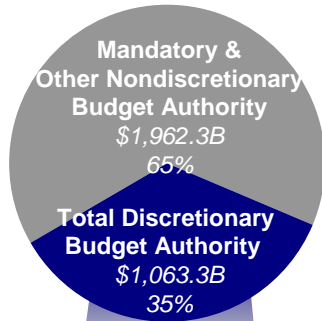
Office of the Under Secretary of Defense
(Comptroller) / CFO

March 2009

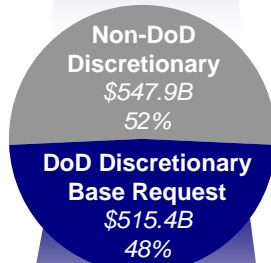


Pressures on Discretionary Defense Spending

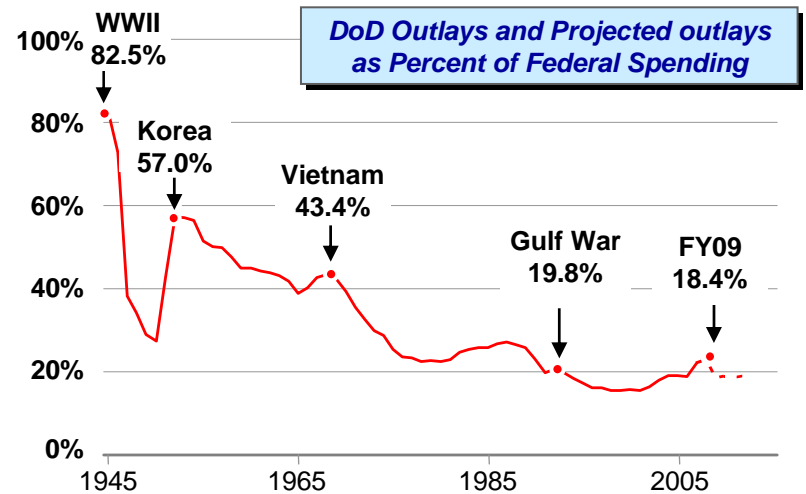
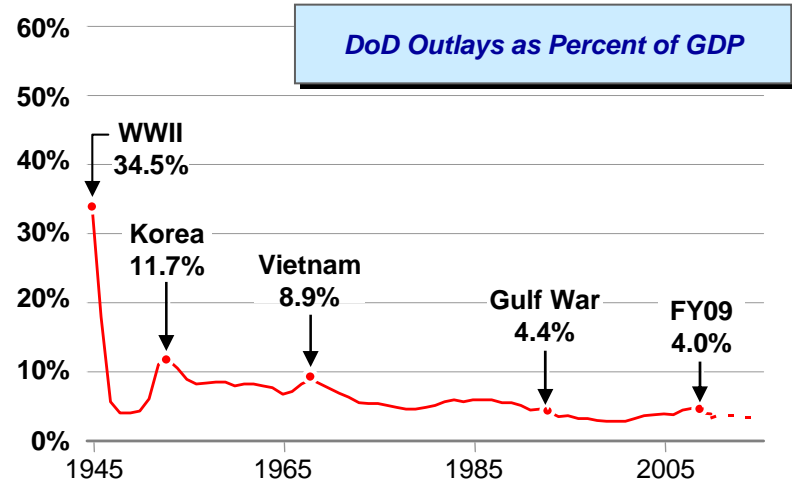
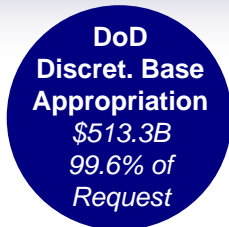
**Proposed FY09
Total Federal
Budget Authority
\$3,025.6B**



**Proposed FY09
Discretionary
Budget Authority
\$1,063.3B**



**FY09 DoD
Discretionary
Base Appropriation
\$513.3B**

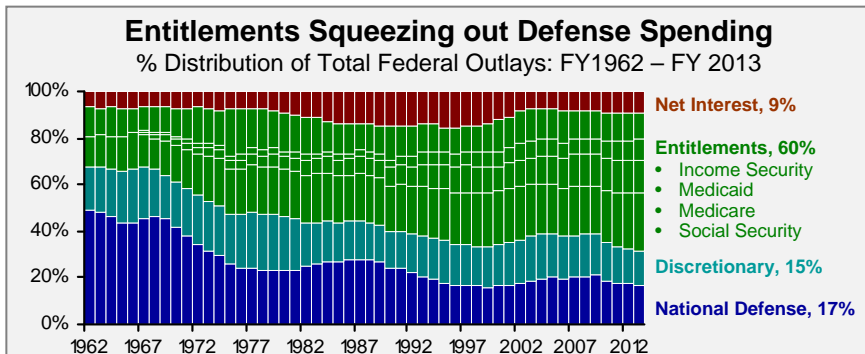
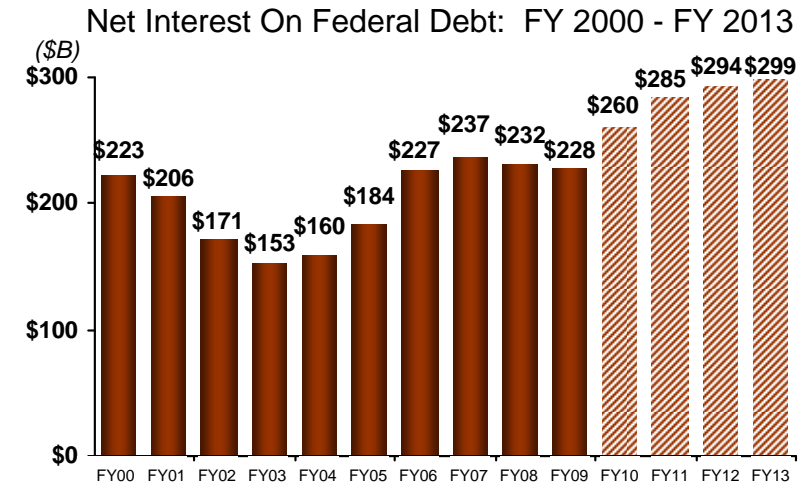
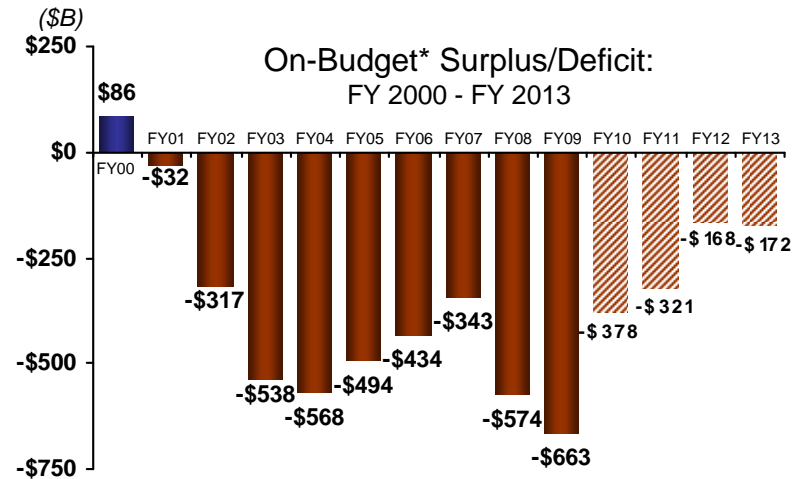


Note: FY 2010 and beyond use President's Budget request in lieu of outlays; FY 2009 does not include remaining GWOT funding
Source: OMB Mid Session Review, FY 2009; OMB Historical Tables, FY 2009

Mounting deficits, interest expenses, and entitlement spending will put downward pressure on defense budgets in the near-term

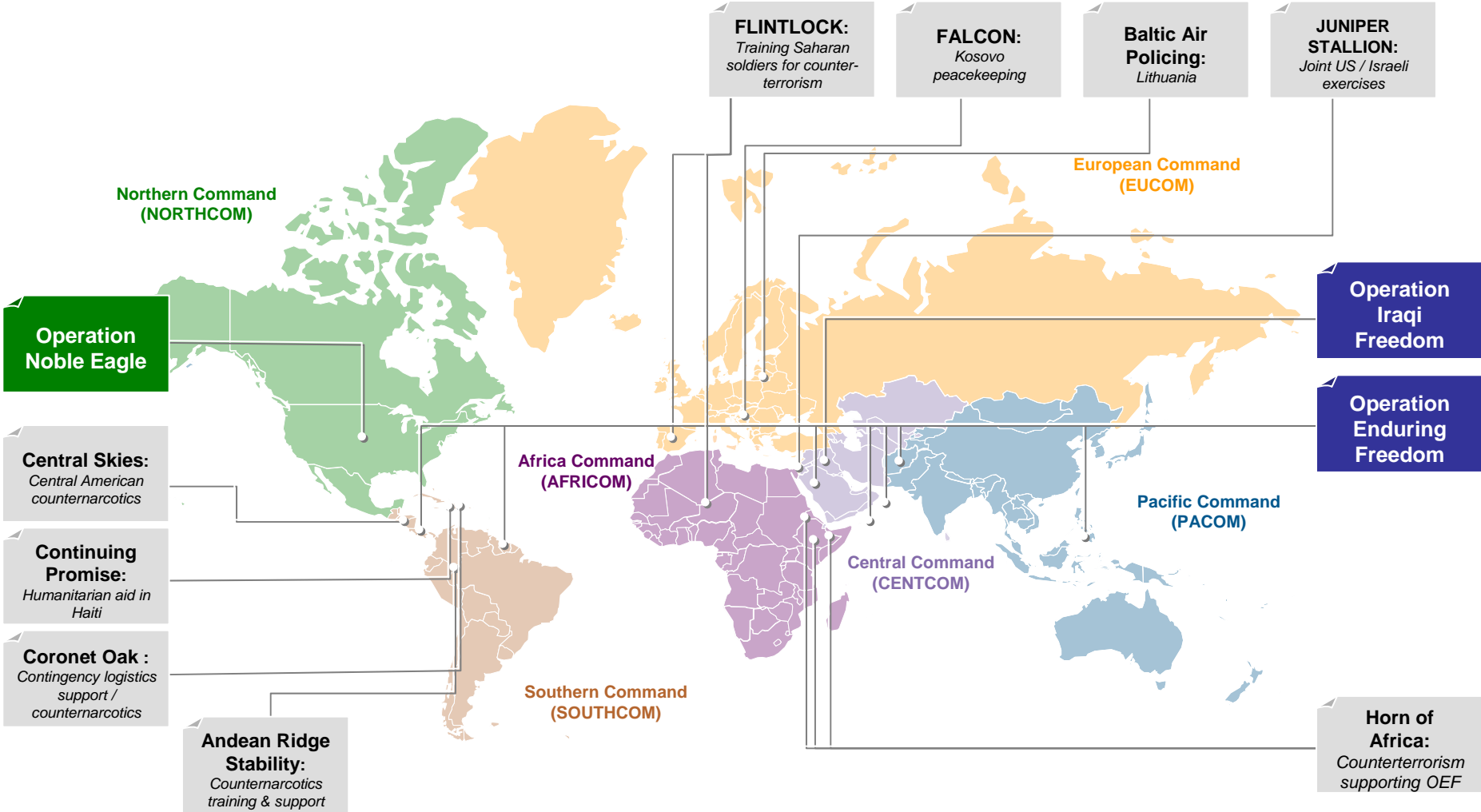
External Pressure on Discretionary Defense Spending

- Federal discretionary spending will face pressure from increasing concern related to the current deficit and the rising cost of mandatory federal expenditures such as debt servicing and entitlement spending
 - The on-budget deficit projected for FY 2009 by OMB's FY09 Mid-Session Review stands at \$663B; the net deficit is \$482B
 - The net interest on the federal debt is currently \$228 billion and is projected to rise to \$299B by FY 2013
 - Net interest will represent 7%-9% of all federal outlays from FY 2009 – FY 2013
 - Discretionary spending is projected to represent 31% of federal outlays in FY 2013, down from 38% of outlays in FY 2007
- Including base funding and GWOT supplementals, the DoD received 57% of the \$1,156B discretionary federal budget authority appropriated in FY 2008



Mounting deficits, interest expenses, and entitlement spending will put downward pressure on defense budgets in years to come

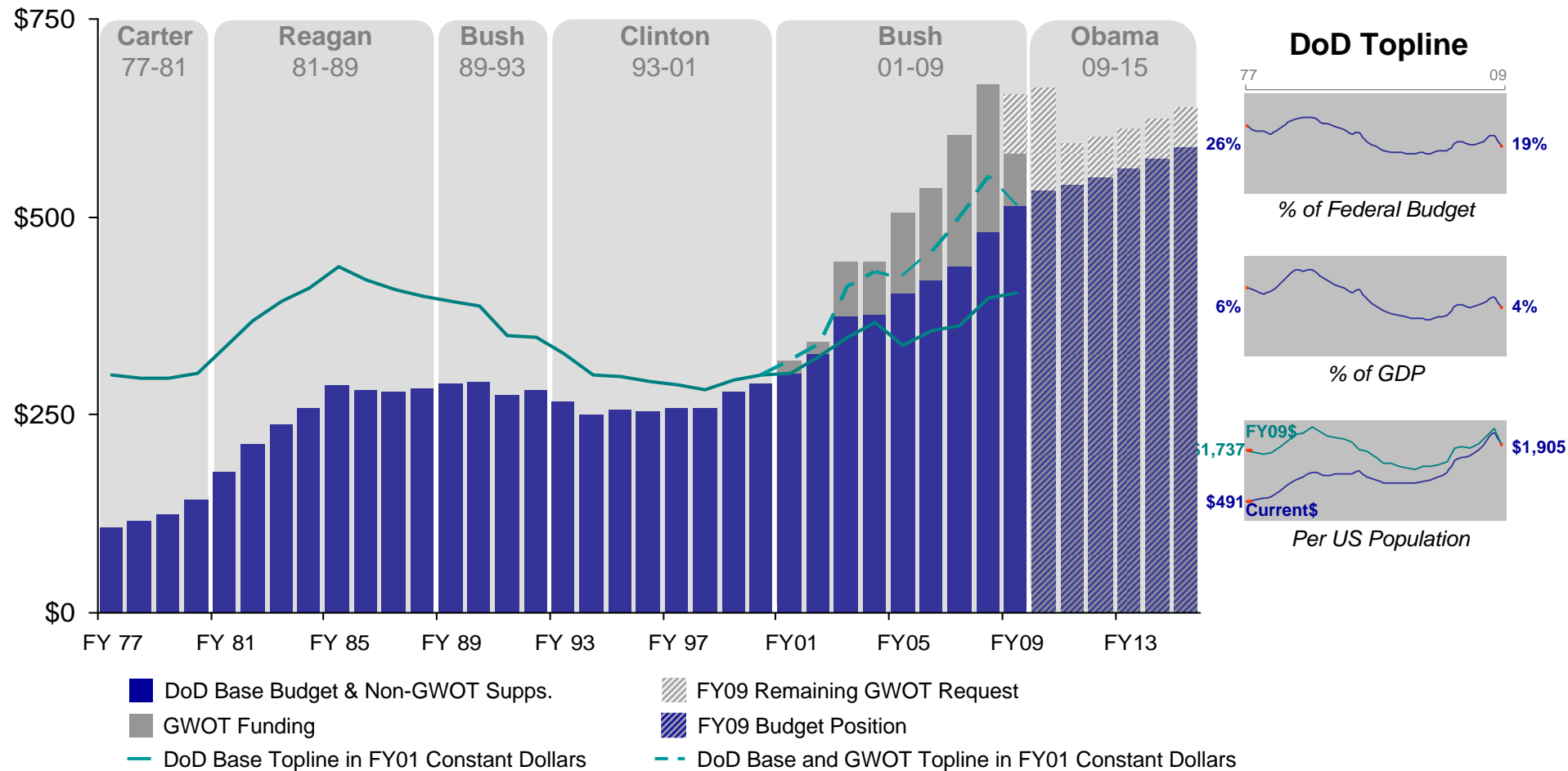
Major Ongoing Military Operations



U.S. military is globally active in war fighting, peacekeeping, and capacity building

Department of Defense Topline: FY77 – FY15

(Current dollars in Billions)



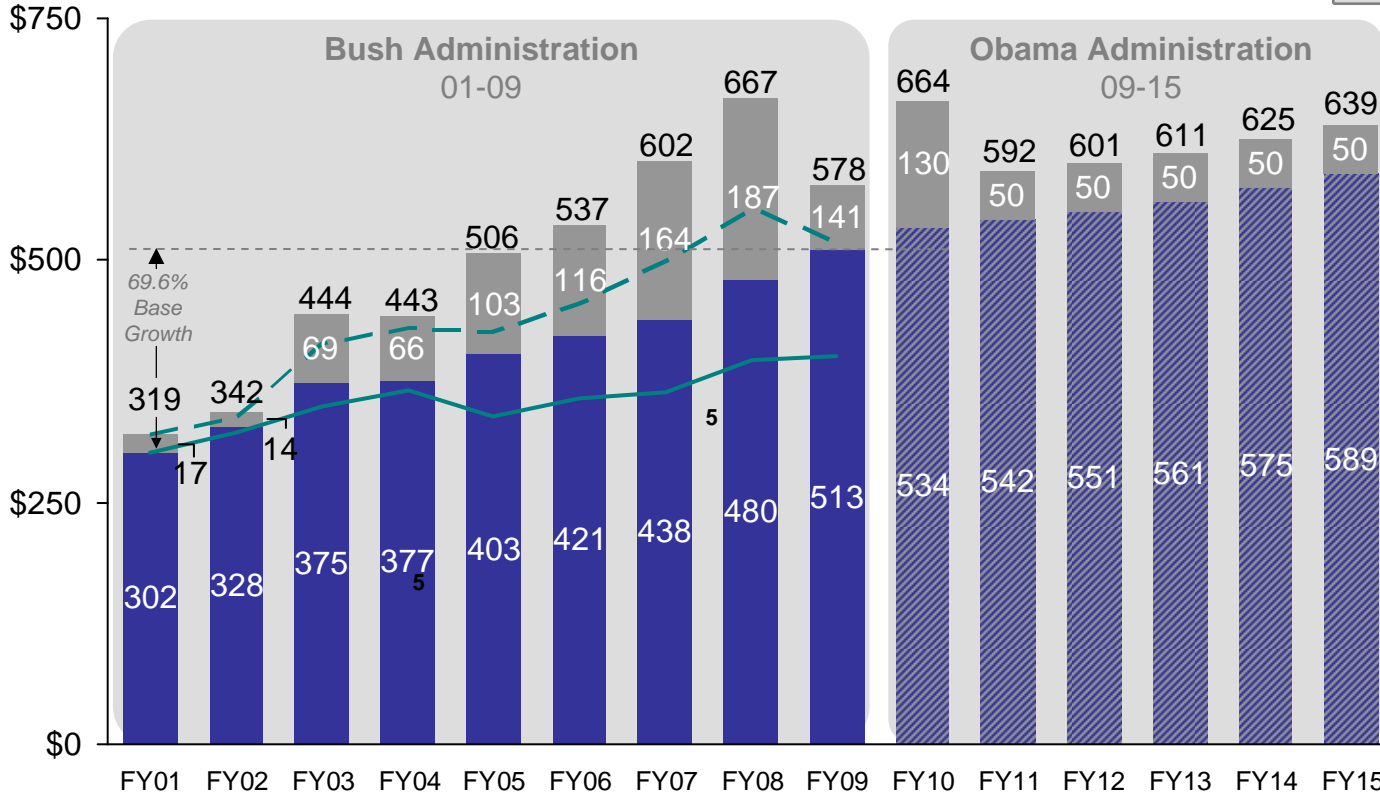
Note: FY10 – FY 13 show the FY 09 President's Request;

Source: Defense Appropriation Acts FY 2001 – FY 2009, National Defense Budget Estimates for FY 2009 (for FY 1977 – 2000, includes Discretionary and Mandatory spending), OMB Historical Tables FY 2009, US Census Bureau Population Estimates for FY08-09

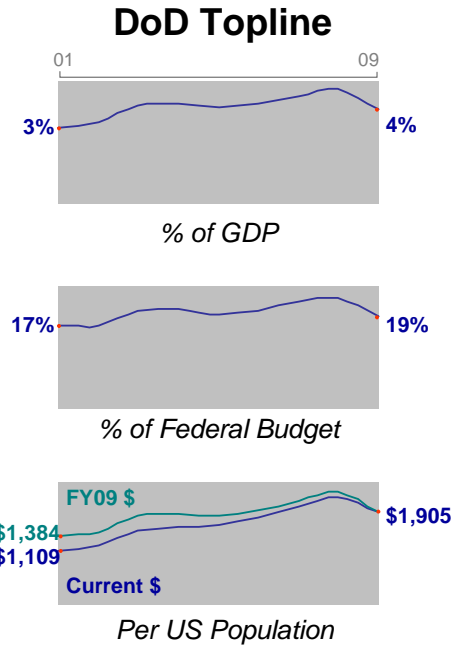
Department of Defense Topline: FY 2001 – FY 2015

(Current dollars in Billions)

Totals	
■ Base FY01 – FY09	3,637
■ GWOT FY01 – FY09	877
Enacted Total	4,514



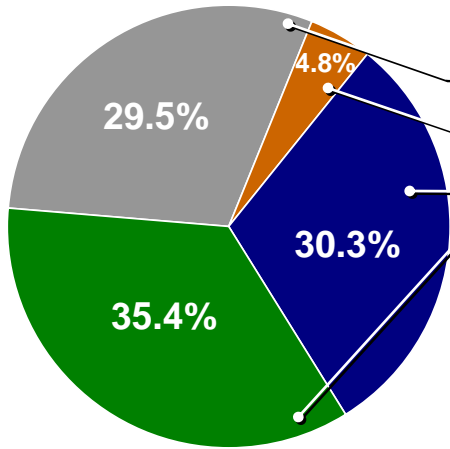
■ DoD Base Budget & Non-GWOT Supps.
 FY09 Budget Position
 ■ GWOT Funding
— DoD Base Topline in FY01 Constant Dollars
 — DoD Base and GWOT Topline in FY01 Constant Dollars



Note: FY10 – FY 13 show the FY 09 President's Request;
 Source: Defense Appropriation Acts FY 2001 – FY 2009, National Defense Budget Estimates for FY 2009 (for FY 1977 – 2000, includes Discretionary and Mandatory spending), OMB Historical Tables FY 2009, US Census Bureau Population Estimates for FY08-09

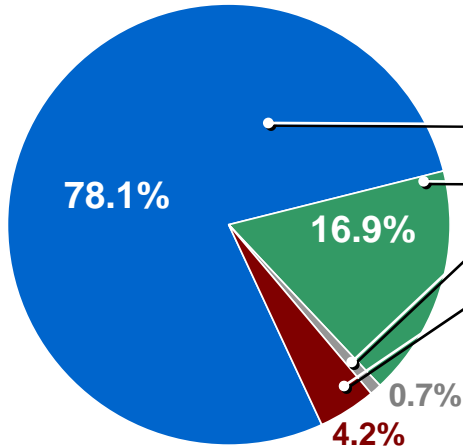
Numbers may not add due to rounding

FY 2009 Budget Appropriation



FY 2009 Base Budget

Military Pay & Healthcare.....	\$152.5B
Family Housing & Facilities.....	\$24.5B
Operations, Readiness, & Support.....	\$155.1B
Strategic Modernization.....	\$181.2B
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	\$513.3B



FY 2009 GWOT Funding

Continuing the Fight.....	\$110.4B
Reconstitution.....	\$23.9B
Additional Emergency Requests.....	\$1.1B
Non-DoD Classified.....	\$6.0B
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	\$141.4B

\$654.7B

FY 2010 Budget Build

- Provide troops everything they need to be successful
- Move Department in new directions
 - Improved efficiency
 - Assess programs with execution challenges
 - Strategic shaping
 - Foreign Affairs article (January 2009)
- Accommodate limited budget growth
- Make hard choices
 - Avoid “salami slice” reductions
- Move away from Supplementals
 - FY 2010 War Request will accompany FY 2010 Base Budget Request
 - Tighter definition of war costs
- Focus on FY 2010 Only
 - QDR will inform FY 2011 and beyond