



UNDER SECRETARY OF DEFENSE
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INFO MEMO

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COMPTROLLER

FOR: SECRETARY OF DEFENSE
DEPUTY SECRETARY OF DEFENSE

FROM: Tina W. Jones *TW Jones*

SUBJECT: Fiscal Year (FY) 2006 Budget Talking Points

- I met today with Robin Cleveland on the FY 2006 budget.
- She hints that the Office of Management and Budget (OMB) may not be able to honor the "inflation plus \$10 billion" agreement because of pressure on the entire federal budget due to deficit reduction imperatives.
- Our internal program budget review process is reaching its final stage. We have been able to pay for all our internal bills with identified offsets. If OMB makes the Department absorb the cost of inflation, it will require additional programmatic reductions of around \$6 billion in FY 2006 to absorb the projected increase.
- OMB will present its official position in their passback late next week. The attachment provides some suggested talking points for any discussion you may have with the President.

COORDINATION: None

Attachment: As stated

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Talking Points FY 2006 Budget

- The DoD topline in FY 2006 is \$422.7 billion.
- To preserve this FY 2006 topline and program you approved, we need an increase of \$5-6 billion to pay for fact-of-life cost increases.
 - Increased inflation will cost the Department **\$5** billion in FY 2006.
 - Fuel at \$47 per barrel will cost the Department an additional \$1 billion in FY 2006.
- These costs provide no additional defense capability. If we have to absorb them, we will have to cut into readiness or programs essential to OUT transformation efforts.
 - OMB staff has indicated that additional inflation and fuel costs may not be supported by increased topline.
 - Concern with federal deficit.
 - Significant pressure on domestic agency budgets.
- Any new funding for intelligence programs must not come at the expense of Defense programs.
- The Department is engaged in a disciplined internal budget process.
 - We have worked hard to find offsets within our budget to fix problem areas or expand important programs.
 - Expanded healthcare costs.
 - Improving OUT protection against threats from weapons of mass destruction.
 - Implementing the new global posture.
 - Rationalizing our space program.
- The bills to pay for Operation Iraqi Freedom, Operation Enduring Freedom, and Army modularity are so large that we cannot pay for them in our budget.
 - Will continue to need supplemental appropriations in FY 2006.

