



COMPTROLLER

UNDER SECRETARY OF DEFENSE

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INFO MEMO

November 30, 2004, 5:31 PM

FOR: SECRETARY OF DEFENSE

FROM: Tina W. Joiner

SUBJECT: FY 2006 Topline Discussion

- I am meeting with you to discuss where the Department stands on the FY 2006 budget topline.
- The attached slides outline the points I will discuss. The key point is to ensure that the Office of Management and Budget (OMB) continues to adhere to the budget agreement made early in this administration that the Defense Department topline should reflect inflation plus \$10 billion from FY 2003-2009. This agreement has provided the budget stability needed to successfully achieve our transformational goals. The inflation projections increase in FY 2006, therefore, a topline adjustment is needed to preserve the Department's buying power.

COORDINATION: None.

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OSD 19144-04



FY 2006 Budget Review

Current Status

Dec 1, 2004

Topline Issues

- FY 2006 Topline reflects agreement to add inflation plus \$10B each year for FY 2003-09

<u>FY 2005</u>	<u>FY 2006.</u>	<u>increase</u>
\$400.1B	\$422.7B	+22.6B

- Topline should be adjusted to reflect higher inflation and fuel costs
 - Revised inflation rates are about .5% higher than those assumed in the budget
 - Impact is \$5-7 billion in FY 2006
- OMB staff agrees to fund the cost of Operations Enduring Freedom and Iraqi Freedom in supplementals





Topline Issues

- Army modularity funding could impact other DoD programs
 - Finance with supplemental or baseline funding?
- Intelligence budget increases should not come at the expense of other DoD programs
 - Intelligence community staff wants \$6 billion increase to cover persistent war on terrorism costs
 - Increased HUMINT capabilities and improved surveillance and reconnaissance requirements