



FOUO
DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

October 19, 2005

MEMORANDUM FOR SERVICE SECRETARIES, CJCS, VCJS, SERVICE CHIEFS

SUBJECT: FY '07 Budget

Many thanks to all who participated in the budget and QDR discussions yesterday. I found it most helpful and appreciated the opportunity for open and candid discussion. This memorandum is a follow up to those discussions.

Based on your recommendations, Tina Jonas and I met with your Vice Chiefs to discuss status of supplementals and ground rules for future supplementals. The objective is to ensure that all war-related costs are being captured in supplementals to include resetting the force for damaged and destroyed equipment. That dialog will continue until we reach an understanding and consensus. Kindly follow up with your Vice Chiefs.

At yesterday's meeting, we also discussed the status of the FY '06 budget, the FY '07 proposed budget baseline and the fact that we currently exceed the FY '07 proposed baseline. It is therefore necessary that each Service and the defense agencies provide budget adjustments to the Comptroller by close of business this Friday, October 21. Your adjustment number and profile across the FYDP is attached. Kindly note that these adjustment numbers do not reflect the total shortfall and, therefore, we may need to adjust further at a future date. The Comptroller is available to provide additional detail as you may require.

Further, these challenges do not address any new direction that may be finalized as a result of our QDR activities. However, my expectation is that offsets for QDR initiatives from this point forward will largely be decided at a joint level and not allocated to each Service *per se*. Know also that this will be a completely open and collaborative process and that no final decisions will be made until the November 21 meeting with all of us, the Secretary and the COCOMs. Thanks.

Enc.

FOR OFFICIAL USE ONLY

FOUO

FY07 Budget Challenges

	2007	2008	2009	2010	2011
Dept of the Army	2.3	2.8	1.2	1.8	3.6
Dept of the Navy	2.2	2.4	0.3	0.7	2.9
Dept of the Air Force	2.1	2.6	0.5	0.9	2.5
Defensewide	0.9	0.9	0.1	0.3	1.1
Total	7.5	8.7	2.1	3.7	10.1

(Then-year dollars in billions)