



COMPTROLLER

UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

AUG 9 2001

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
VICE CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE

SUBJECT: Fiscal guidance guidelines

I attach the guidelines finalized by the Secretary of Defense. Please use these guidelines to replace the guidelines originally attached to the fiscal guidance.

A handwritten signature in black ink, appearing to read "Dov S. Zakheim".

Dov S. Zakheim

Attachment:
As stated

cc:
Special Assistant to the Secretary of Defense
Military Assistant to the Secretary of Defense
Special Assistant to the Deputy Secretary of Defense
Military Assistant to the Deputy Secretary of Defense

SECRETARY'S GUIDELINES FOR FISCAL GUIDANCE

The Quadrennial Defense Review and the Nuclear Posture statement both seek to rationalize the force, spend more efficiently, and accelerate modernization and transformation. The following Guidelines, which draw upon both reviews, should accompany the Fiscal Guidance that has been issued to Service Departments and Defense Agencies.

General Guideline

Plan for no supplementals for FY 03-07.

Readiness/Training

Budget to reverse readiness declines so as to achieve acceptable levels by FY 2005. Do so while accounting for new missions, as per QDR.

Provide sufficient funding to achieve the optimum maintenance backlog by FY 2007.

Achieve appropriate personnel tempo levels by FY 2004.

People Programs

Fund across-the-board pay increase at ECI, Comptroller will provide specific figures.

Include health care accrual costs as specified by the Comptroller.

Modernization

Provide adequate funding for a trajectory that reduces the average age of tactical aircraft by both purchasing new aircraft and retiring older aircraft. In each case identify the fiscal year in which appropriate half-life standards will be achieved. This guideline applies to the following aircraft, the overall average age of which would be achieved by the dates indicated:

- Air Force air superiority aircraft (FY 2011)
- Navy/Marine Corps tactical aviation (FY 2011)
- All Air Force combat aircraft (FY 2014)

Fund requirements for high-demand, low density assets at appropriate recapitalization rates, to be agreed, and with the goal of achieving a system level solution by FY 2007.

Identify dates by which systems for warfighting will achieve full compatibility and interoperability, as per JROC-approved requirements, and fund appropriately.

Increase funding for precision munitions, including deep penetration weapons for underground targets.

Fund the upgrade of the National Airborne Operations Center (NAOC) and other strategic command and control systems, consistent with dependence on fewer strategic nuclear weapons as per the QDR and NPR.

Transforming the Force for New Missions

Increase airlift and sealift to meet demands of revised strategy, as per QDR decisions.

Plan a shipbuilding program that produces a steady state naval force level that is both compatible with overall force structure requirements and new missions, as per QDR.

Increase funding for Homeland Defense, in conjunction with requirements specified in QDR.

Increase funding for Information Dominance (specifically space and information operations), per the QDR.

Provide adequate funding for unmanned aircraft for intelligence and weapons delivery as per the QDR.

Plan for possible conventional ballistic missile capability as per the NPR.

Include front-end costs of reductions of offensive nuclear forces as per the QDR and NPR.

Fund for a standing joint task force headquarters, and recommend headquarters to eliminate, to cover the costs of new task force headquarters.

Increase investment for anti-access capability as per the QDR.

Budget for an S&T increase to 3 percent of overall DoD budget by FY 2007.

Budget for an increase of missile defense funding to \$8 billion per year by FY 2005. Missile defense programmatic content should be consistent with the QDR.

Allocate 2 percent of Service budgets for "new" transformation programs that are not currently in FY 02 budgets.

Infrastructure

Fund to support a trajectory that moves infrastructure to best practices (funding that sustains a rate of recapitalization at approximately 67 years) by FY 2010 for required base structure, which should be set at approximately 80 percent of current infrastructure.

Include front-end costs for BRAC.

Realistic Budgeting and Efficiencies

In order to achieve program stability and avoid costly stretch-out, properly price programs at not less than levels estimated by the Cost Analysis Improvement Group.

Budget for front-end costs of likely weapons cancellations and weapons retirements, as recommended by DAB and/or QDR.

Reduce OSD/Joint Staff/Defense Agencies and CINC and Service Headquarters by a minimum of 15 percent from a baseline defined as end-strength for FY 1999, or achieve statutory reductions, whichever is lower. USD (Comptroller) and USD (P&R) will provide further guidance on issues to be addressed.

Other

Achieve a \$1.5 billion increase for intelligence funding by FY 2007.