

THE WHITE HOUSE
WASHINGTON

March 9, 2007

Dear Madam Speaker:

I ask the Congress to consider the enclosed revisions to the FY 2007 Department of Defense supplemental request proposed in my FY 2008 Budget. This revised request would better align resources based on the assessment of military commanders to achieve the goal of establishing Iraq and Afghanistan as democratic and secure nations that are free of terrorism. Overall, the discretionary budget authority in my FY 2007 supplemental proposal would not be increased by these requests.

The details of these amendments are set forth in the enclosed letter from the Director of the Office of Management and Budget.

Sincerely,

A handwritten signature in black ink, appearing to read "George W. Bush". The signature is stylized with a large, sweeping initial "G" and a long, horizontal stroke at the end.

The Honorable Nancy Pelosi
Speaker of the House of Representatives
Washington, D.C. 20515

Enclosure



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

March 9, 2007

The President
The White House

Submitted for your consideration are amendments to the FY 2007 supplemental appropriations request for the Department of Defense proposed in your FY 2008 Budget. These amendments reflect evolving requirements for the Global War on Terror.

The proposals would reallocate \$3.2 billion within the pending FY 2007 request; therefore, total discretionary budget authority for the FY 2007 supplemental would not be increased by these amendments. Items in the February 5, 2007, FY 2007 supplemental request that have been used as offsets have been deemed less timely or lower priorities than those in the current request. As described below and in more detail in the enclosures, the requests include the following:

Iraq

The total revised request covers funding for soldiers and their equipment that will deploy in support of our strategy in Iraq, as well as other initiatives integral to the counter-insurgency strategy. The revised funding proposals would address:

- Operations and Personnel – \$769 million to provide additional support to deployed Brigade Combat Teams such as military police, engineers, explosive ordinance disposal personnel, aerial refueling, and division command and control elements;
- Equipment – \$1.5 billion for additional armor kits and transport vehicles, including \$500 million for Mine Resistant Ambush Protected vehicles, the newest generation of tactical vehicles designed to protect troops against mines and Improvised Explosive Devices;
- Provincial Reconstruction Teams – \$150 million to cover the costs of secure transportation and force protection of the new Provincial Reconstruction Teams that are being established in Iraq; and
- State-Owned Enterprises (factory restarts) – \$100 million to help re-start state-owned factories and return unemployed Iraqis to work.

Afghanistan

The request includes funding to cover the costs of combat soldiers and trainers who will deploy to Afghanistan in anticipation of increased combat operations against the resurgent Taliban. The revised funding proposals would address:

- Operations and Personnel – \$272 million to cover the cost of deploying an additional Brigade Combat Team;
- Intelligence and Support Activities – \$99 million to increase the number of linguists in Afghanistan, provide additional intelligence assets for operations, and support minor construction required for the additional Brigade Combat Team being deployed; and
- Accelerating the Development of the Afghan National Security Forces – \$139 million to provide additional embedded trainers required to support the Afghan National Security Forces.

Pakistan

This transmittal proposes \$110 million to support Pakistan's efforts to combat terrorism through development of the regions bordering Afghanistan known as the Federally Administered Tribal Areas. In addition, the amendment would support the Frontier Corps.

Transfer Authority

The revised request proposes to increase the General Transfer Authority level available in the FY 2007 Department of Defense appropriations by \$3.5 billion. This increase would support funding transfers necessary to accelerate the training of Iraqi Security Forces and the activities of the Improvised Explosive Device Defeat Task Force.

Medical Care

The President has created a bipartisan Commission to conduct a comprehensive review of the services America is providing our returning global war on terror service members. Pending the findings of the Commission, \$50 million is included for a new medical care fund.

Reallocations

The additional requested funding is fully offset by reallocations from lower priority activities within the original FY 2007 supplemental request. The funding reallocations remove several previously requested items, such as aircraft, a logistics system, and support equipment. The amendments also reflect updated cost estimates for naval forces, lower fuel prices, reduced requirements for transportation of coalition forces, and the removal of funding for support activities not associated with Iraq or Afghanistan.

Recommendation

I have reviewed these proposals and am satisfied that they are necessary at this time. Therefore, I join the Secretary of Defense in recommending that you transmit these amendments to the Congress.

Sincerely,

A handwritten signature in black ink that reads "Rob Portman". The signature is written in a cursive, flowing style with a prominent initial "R".

Rob Portman

Enclosures

Revised FY 2007 Proposal

Agency: DEPARTMENT OF DEFENSE
Bureau: MILITARY PERSONNEL
Heading: Military Personnel, Army
FY 2008 Budget
Appendix Page: 1143
FY 2007
Pending Request: \$8,305,899,000
Proposed Revision: \$204,371,000
Revised Request: \$8,510,270,000

(In the appropriations language under the above heading, delete "\$8,305,899,000" and substitute \$8,510,270,000.)

This amendment would provide \$204.4 million to support the deployment of reinforcements to Iraq and Afghanistan. Multi-National Forces – Iraq (MNF-I) operations require support forces such as military police, engineers, intelligence, and explosive ordnance disposal personnel to complement the previously announced increase in combat forces. Funds are also needed to support the plus-up of U.S. forces for Afghanistan and to provide for an additional training brigade to accelerate training of Afghanistan National Security Forces.

Revised FY 2007 Proposal

Agency: DEPARTMENT OF DEFENSE

Bureau: MILITARY PERSONNEL

Heading: Military Personnel, Air Force

FY 2008 Budget
Appendix Page: 1144

FY 2007
Pending Request: \$1,100,687,000

Proposed Revision: \$600,000

Revised Request: \$1,101,287,000

(In the appropriations language under the above heading, delete "\$1,100,687,000" and substitute \$1,101,287,000.)

This amendment would provide \$0.6 million to support the plus-up of aerial refueling aircrews for Iraq. MNF-I operations require the deployment of tanker refueling personnel in support of combat forces.

Revised FY 2007 Proposal

Agency: DEPARTMENT OF DEFENSE
Bureau: OPERATION AND MAINTENANCE
Heading: Operation and Maintenance, Army
FY 2008 Budget
Appendix Page: 1147
FY 2007
Pending Request: \$19,803,572,000
Proposed Revision: \$619,807,000 (net)
Revised Request: \$20,423,379,000

(In the appropriations language under the above heading, delete "\$19,803,572,000" and substitute \$20,423,379,000.)

This amendment would provide \$1.1 billion to support the operation of forces in Iraq and Afghanistan, including military police, engineers, intelligence, and explosive ordinance disposal personnel to support combat forces. This amendment also reflects updated cost estimates.

Funds are also needed to support the plus-up of U.S. forces for Afghanistan, to sustain the additional training brigade needed to accelerate training of the Afghan National Security Forces, to provide additional contract linguists, and to construct a forward operating base for an additional brigade combat team.

To support higher priority emergency Global War on Terror needs, this revision would remove \$436.3 million from the pending supplemental request for the Regional War on Terror, reflect the most recent reduction in fuel prices, and a re-estimate of funds necessary to grow the size of the permanent force.

Revised FY 2007 Proposal

Agency: DEPARTMENT OF DEFENSE
Bureau: OPERATION AND MAINTENANCE
Heading: Operation and Maintenance, Navy
FY 2008 Budget
Appendix Page: 1147
FY 2007
Pending Request: \$5,945,397,000
Proposed Revision: -\$904,915,000
Revised Request: \$5,040,482,000

(In the appropriations language under the above heading, delete "\$5,945,397,000" and substitute \$5,040,482,000.)

This amendment would reduce the pending supplemental request by a total of \$904.9 million to support higher priority emerging Global War on Terror needs. The reduction in this account includes: \$99.8 million from the Regional War on Terror and reduced fuel costs to reflect the latest prices; and \$805.1 million as a result of the updated cost estimates for naval forces supporting combat forces in Iraq.

Revised FY 2007 Proposal

Agency: DEPARTMENT OF DEFENSE
Bureau: OPERATION AND MAINTENANCE
Heading: Operation and Maintenance, Air Force
FY 2008 Budget
Appendix Page: 1148
FY 2007
Pending Request: \$7,069,259,000
Proposed Revision: -\$33,378,000 (net)
Revised Request: \$7,035,881,000

(In the appropriations language under the above heading, delete "\$7,069,259,000" and substitute \$7,035,881,000.)

This amendment would remove \$51.2 million from the pending supplemental request for the Regional War on Terror and reduce fuel costs to reflect the latest prices in order to support higher priority emerging Global War on Terror needs. In addition, the amendment would increase the account by \$17.8 million for additional Air Force operations (e.g., aerial refueling) in support of forces in Iraq and Afghanistan.

Revised FY 2007 Proposal

Agency: DEPARTMENT OF DEFENSE
Bureau: OPERATION AND MAINTENANCE
Heading: Operation and Maintenance, Defense-Wide
FY 2008 Budget Appendix Page: 1148
FY 2007 Pending Request: \$3,378,307,000
Proposed Revision: -\$99,000,000
Revised Request: \$3,279,307,000

(In the appropriations language under the above heading, delete "\$3,378,307,000" and substitute \$3,279,307,000.)

This amendment would remove a total of \$99.0 million to support higher priority emerging Global War on Terror needs. This reduction includes \$50 million designated to transport and sustain coalition partners, due to a reduction in requirements; \$38.3 million intended for a berthing barge at Guantanamo Bay, Cuba, which was determined to be of lower priority in FY 2007; and \$10.7 million for the Regional War on Terror.

New FY 2007 Proposal

DEPARTMENT OF DEFENSE

OPERATION AND MAINTENANCE

Medical Support Fund

There is hereby established in the Treasury of the United States a fund to be known as the Medical Support Fund. For necessary expenses of the Medical Support Fund, \$50,000,000, to remain available for transfer until September 30, 2008, to support programs and activities relating to the medical treatment, care, rehabilitation, recovery and support of the armed forces: Provided, That the Secretary of Defense may transfer the funds provided herein to appropriations for military personnel; operation and maintenance; procurement; research, development, test and evaluation; military construction; and the Defense Health Program: Provided further, That funds transferred shall be merged with and be available for the same purposes and for the same time period as the appropriation or fund to which transferred: Provided further, That this transfer authority is in addition to any other transfer authority available to the Department of Defense: Provided further, That upon a determination that all or part of the funds transferred from this appropriation are not necessary for the purposes provided herein, such amounts may be transferred back to this appropriation: Provided further, That the Secretary of Defense shall, not fewer than five days prior to making transfers from this appropriation, notify the congressional defense committees in writing of the details of any such transfer.

This proposal would authorize a new Medical Support Fund to improve the effectiveness of efforts to transition returning servicemembers' from deployment in support of the Global War on Terror to a successful return to productive military service or civilian society. This proposal also requests \$50 million to be available through September 30, 2008.

Revised FY 2007 Proposal

Agency: DEPARTMENT OF DEFENSE
Bureau: OPERATION AND MAINTENANCE
Heading: Iraq Freedom Fund
FY 2008 Budget Appendix Page: 1152
FY 2007 Pending Request: \$205,600,000
Proposed Revision: \$360,000,000
Revised Request: \$565,600,000

(In the appropriations language under the above heading, delete "\$205,600,000" and substitute \$565,600,000; and add the following before the period:

, of which, notwithstanding any other provision of law, not to exceed \$100,000,000 may be used for the redevelopment of the Iraqi industrial sector by identifying, and providing assistance to, factories and other industrial facilities that are best situated to resume operations quickly and reemploy the Iraqi workforce; and not to exceed \$110,000,000 may be transferred to the "Economic Support Fund," Department of State, for use in programs in Pakistan.)

This amendment would provide a total increase of \$360.0 million to support the Provincial Reconstruction Teams (PRTs) in Iraq (\$150.0 million) and the Task Force to improve Business and Stability Operations in Iraq (\$100.0 million), and provide economic assistance to the Federally Administered Tribal Areas (FATA) in Pakistan (\$110.0 million).

The PRT program is a critical element of the U.S. counter-insurgency strategy jointly executed by the Department of State and the Department of Defense. Its purpose is to bolster moderates, promote reconciliation and shape the political environment, support economic development, and build the capacity of Iraqi provincial governments to hasten the transition to Iraqi self-sufficiency.

These funds would support secure theater airlift and ground transportation for the PRTs in Iraq and provide force protection, body armor, and clothing for all PRT personnel collocated with

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the military, including those operating out of military forward operating bases and in embedded teams. In addition, these funds would provide special pay and benefits for 129 deployed civilians, personnel hired to backfill these civilians, travel, and training. The Department of State will fund operational and life support requirements for these PRT members.

The Task Force to Improve Business and Stability Operations – Iraq will help re-start over 140 Iraqi factories during the next 6 to 18 months, employing up to 150,000 people. Most of these factories are viable industrial entities and can serve as an engine for private sector industry, agricultural production, and service sector economic activity in Iraq. Over the past six months, the Government of Iraq, and the Departments of Defense, State, and the Treasury have assessed Iraqi factories, prepared feasibility studies and business plans, and reached out to potential Iraqi and international firms that could purchase manufactured products. The requested funding would be used to procure machines, tools, and generators needed to re-start these factories. Generating employment for Iraqis is a key component of America's effort to help bring peace and stability to the country.

To promote economic development and enhance security in Pakistan border areas, \$110.0 million will be transferred to the Department of State to assist Pakistan's efforts to develop the autonomous FATA along the Pakistan-Afghanistan border. These funds are required to implement the Administration's strategy for defeating the Taliban and other insurgents in Afghanistan. Resources will enable the immediate launch and implementation of the Government of Pakistan's recently finalized FATA Development Plan. The funds would be used to build the capacity of institutions, build critical infrastructure in the region, and expand USAID projects currently underway. Despite the progress Pakistan has made toward economic and security reform overall, the Tribal Areas remain chronically underdeveloped and offer safe havens and recruiting grounds for terrorists. Lack of funding will allow the conditions to persist that have made the region a breeding ground for terrorists, hindering U.S. and coalition operations in the region and increasing the risk to allies and the homeland.

The additional language now proposed is necessary to provide the additional authority needed to use funds appropriated to the Iraq Freedom Fund to fund the Task Force to Improve Business and Stability Operations - Iraq and promote economic development in Pakistan.

Revised FY 2007 Proposal

Agency: DEPARTMENT OF DEFENSE
Bureau: PROCUREMENT
Heading: Procurement of Weapons and Tracked Combat Vehicles, Army
FY 2008 Budget
Appendix Page: 1155
FY 2007
Pending Request: \$3,474,389,000
Proposed Revision: \$27,926,000
Revised Request: \$3,502,315,000

(In the appropriations language under the above heading, delete "\$3,474,389,000" and substitute \$3,502,315,000.)

This amendment would increase the pending request by \$27.9 million to procure additional small arms in support of the Embedded Training Teams that will train the Afghanistan National Security Forces.

Revised FY 2007 Proposal

Agency: DEPARTMENT OF DEFENSE
Bureau: PROCUREMENT
Heading: Other Procurement, Army
FY 2008 Budget
Appendix Page: 1155
FY 2007
Pending Request: \$9,908,649,000
Proposed Revision: \$1,038,038,000 (net)
Revised Request: \$10,946,687,000

(In the appropriations language under the above heading, delete "\$9,908,649,000" and substitute \$10,946,687,000.)

This amendment would provide \$1.2 billion to procure additional equipment to include non-tactical and heavy armored vehicles identified by the Joint Urgent Operational Needs process, and reflect the updated cost estimates to support forces deployed to Iraq and Afghanistan. It would also provide funds for additional add on armor kits and Mine Resistant Ambush Protected vehicles for enhanced force protection.

The amendment would remove \$189.2 million to finance higher priority emerging Global War on Terror needs. Specifically, the amendment would remove \$176.0 million for the Single Army Logistics Enterprise system. The Army will continue to use existing logistics control systems. In addition, the amendment would remove \$13.2 million for the Information Systems program, which are intended to improve efficiency, but are a lower priority than providing force protection for the troops.

Revised FY 2007 Proposal

Agency: DEPARTMENT OF DEFENSE
Bureau: PROCUREMENT
Heading: Aircraft Procurement, Navy
FY 2008 Budget
Appendix Page: 1156
FY 2007
Pending Request: \$1,105,713,000
Proposed Revision: -\$375,000,000
Revised Request: \$730,713,000

(In the appropriations language under the above heading, delete "\$1,105,713,000" and substitute \$730,713,000.)

This amendment would reduce the pending request for five EA-18G fighter aircraft by \$375.0 million to finance higher priority emerging Global War on Terror needs.

Revised FY 2007 Proposal

Agency: DEPARTMENT OF DEFENSE
Bureau: PROCUREMENT
Heading: Other Procurement, Navy
FY 2008 Budget
Appendix Page: 1157
FY 2007
Pending Request: \$846,874,000
Proposed Revision: -\$101,449,000
Revised Request: \$745,425,000

(In the appropriations language under the above heading, delete "\$846,874,000" and substitute \$745,425,000.)

This amendment would reduce the pending request by \$101.4 million. Specifically, the amendment would remove \$46.8 million for Materiel Handling Equipment and \$54.6 million for Command Support Equipment to finance higher priority emerging Global War on Terror needs. Purchase of this equipment can be deferred to future years because the Navy can continue to using existing systems. This proposed revision also reflects updated cost estimates related to support of combat forces in Iraq [and Afghanistan].

Revised FY 2007 Proposal

Agency: DEPARTMENT OF DEFENSE
Bureau: PROCUREMENT
Heading: Procurement, Marine Corps
FY 2008 Budget
Appendix Page: 1157
FY 2007
Pending Request: \$1,805,715,000
Proposed Revision: \$250,000,000
Revised Request: \$2,055,715,000

(In the appropriations language under the above heading, delete "\$1,805,715,000" and substitute \$2,055,715,000.)

This amendment would increase the pending request by \$250.0 million to procure Mine Resistant Ambush Protected vehicles to provide improved protection for U.S. forces.

Revised FY 2007 Proposal

Agency: DEPARTMENT OF DEFENSE
Bureau: PROCUREMENT
Heading: Aircraft Procurement, Air Force
FY 2008 Budget
Appendix Page: 1158
FY 2007
Pending Request: \$2,649,336,000
Proposed Revision: -\$923,000,000
Revised Request: \$1,726,336,000

(In the appropriations language under the above heading, delete "\$2,649,336,000" and substitute \$1,726,336,000.)

This amendment would reduce the pending request by a total of \$923.0 million. Specifically, the amendment would remove \$388.0 million for five C-130J aircraft, \$146.0 million for one CV-22 aircraft, and \$389.0 million for two Joint Strike Fighter aircraft to finance higher priority emerging Global War on Terror needs.

Revised FY 2007 Proposal

Agency: DEPARTMENT OF DEFENSE
Bureau: MILITARY CONSTRUCTION
Heading: Military Construction, Army
FY 2008 Budget Appendix Page: 1161
FY 2007 Pending Request: \$1,381,290,000
Proposed Revision: -\$92,000,000
Revised Request: \$1,289,290,000

(In the appropriations language under the above heading, delete "\$1,381,290,000" and substitute \$1,289,290,000.)

This amendment would reduce the pending request by \$92.0 million. Specifically, the amendment would remove funds for the following projects to finance emerging higher-priority Global War on Terror needs:

<u>Project</u>	<u>Location</u>	<u>Amount</u>
Consolidated Compound	Kabul, Afghanistan	\$25,600,000
Combat Air Ramp	Bagram, Afghanistan	\$10,800,000
Strategic Air Ramp	Bagram, Afghanistan	\$17,800,000
Ammunition Storage Facility	Balad, Iraq	\$22,100,000
Airfield Over-Run	Balad, Iraq	\$15,700,000
Total		\$92,000,000

Revised FY 2007 Proposal

Agency: DEPARTMENT OF DEFENSE
Bureau: MILITARY CONSTRUCTION
Heading: Military Construction, Navy and Marine Corps
FY 2008 Budget Appendix Page: 1161
FY 2007 Pending Request: \$412,500,000
Proposed Revision: -\$22,000,000
Revised Request: \$390,500,000

(In the appropriations language under the above heading, delete "\$412,500,000" and substitute \$390,500,000.)

This amendment would reduce the pending request by \$22.0 million. Specifically, the amendment would remove funding for the following project to finance higher priority emerging Global War on Terror needs:

<u>Project</u>	<u>Location</u>	<u>Amount</u>
Diesel Generator Facility	Guantanamo Bay, Cuba	\$22,000,000

FY 2007 General Provisions

New General Provisions under the heading, "Department of Defense"

Sec. _____. From funds made available in this title for the Department of Defense, not to exceed \$71,500,000 may be used, notwithstanding any other provision of law, to provide equipment, supplies, and training for the Pakistan Frontier Corps to enhance the ability of those forces to conduct counterterrorist operations along the Pakistan-Afghanistan border.

This provision would allow DOD to provide funds to finance the Pakistani Frontier Corps.

Sec. _____. From funds made available for the "Iraq Security Forces Fund" for fiscal year 2007, not to exceed \$155,500,000 may be used, notwithstanding any other provision of law, to provide assistance to the Government of Iraq to support the disarmament, demobilization, and reintegration of militias and illegal armed groups.

This proposal would specify that of the funds requested for the Iraq Security Forces Fund (ISFF), \$155.5 million may be used to assist Iraq in the disarmament, demobilization, and reintegration of militias and illegal armed groups. This authority is necessary to help eliminate illegal armed groups or militias by returning former members to a productive, peaceful role in Iraqi society. Providing authority to use ISFF funds would enable using Iraqi Security Forces to provide security at disarmament locations, destruction of weapons, and other security-related missions at 22 demobilization and demilitarization sites.

Sec. _____. Funds made available in this title to the Department of Defense for the purchase of heavy and light armored vehicles for force protection purposes may be used for such purchase, up to a limit of \$250,000 per vehicle, notwithstanding other limitations applicable to the purchase of passenger carrying vehicles.

This provision would allow the Department to purchase necessary vehicles to protect the forces deployed in theater.

Revised General Provisions under the heading, "Department of Defense"

The second General Provision under the heading, "Department of Defense," is amended to read as follows:

Sec. _____ . Section 8005 of the Department of Defense Appropriations Act, 2007 (Public Law 109-289; 120 Stat. 1257), is amended by striking "\$4,500,000,000" and inserting ["\$8,000,000,000"].

This provision would provide the Department with increased flexibility in reallocating base resources in the future. Due to an acceleration of mission critical activities, such as the training of Iraqi Security Forces and the activities of the Explosive Device Defeat Task Force, the Department of Defense will need to reallocate funds to continue operations and address needs identified by our commanders in a timely way.