

**Transcript of Remarks by Chairman Kent Conrad (D-ND)
at Senate Budget Committee Hearing on
President Bush's Defense Budget Request for FY 2008 and War Costs
March 1, 2007**

I would like to welcome everyone to today's Budget Committee hearing on the President's defense budget and his request for additional war funding.

Our witnesses today are Gordon England, the Deputy Secretary of Defense, Admiral Ed Giambastiani, the Vice Chairman of the Joint Chiefs of Staff, and Ms. Tina Jonas, Under Secretary and Comptroller of the Department of Defense. We appreciate very much all of you being here. We all know that Secretary England serves as the chief operating officer of the Department of Defense and was previously the Secretary of the Navy. Our witnesses today are all dedicated public servants and we very much appreciate not only their service to the country, but their being here today.

I want to be clear the Budget Committee is disappointed that Secretary Gates was not able to testify here. We hope that he will testify before this Committee later this year, and the Committee feels strongly about that issue, and we want to make certain that is communicated.

The defense budget represents the single largest area of discretionary spending. Secretary Gates himself has acknowledged the magnitude of the President's defense request. He recently stated: "The truth is they represent a staggering amount of money." And certainly that is the case. We also want to put in context in terms of our overall budget what these costs are, as a share of our gross domestic product. We'll get into that momentarily.

To put the defense request in some historical perspective, we can see that under the President's request, defense spending for 2008 will exceed the highest levels during the Cold War. We will spend more than at the peak of the Vietnam War or the peak of the Korean War, even after adjusting for inflation.

And defense spending has been rising rapidly as a share of GDP – from 3 percent in 2001 to 4.2 percent in 2008. Now, as a share of GDP, we are not at a historic peak or anywhere close to it. So I think it is very important to understand both points. On a dollar basis, inflationary adjusted, we are at a peak compared to those previous time periods, but as a share of GDP we are nowhere close to a peak, and I think it is important for people to understand both of those facts.

The costs of war in Iraq are the major factor driving our defense expenditures higher. It is worth noting that before the Iraq war began, the Bush administration suggested that this war would not be this costly. Here is a transcript of an interview with the previous Secretary of Defense on This Week with George Stephanopoulos:

Stephanopoulos: What should the public know right now about what a war with Iraq would look like and what the cost would be?

Rumsfeld: ...The Office of Management and Budget estimated it would be something under

\$50 billion.

Stephanopoulos: Outside estimates say up to \$300 billion.

Rumsfeld: Baloney.

Well, now we know that the \$300 billion cost estimate wasn't "baloney;" it was actually low. CBO now estimates the war cost is approaching \$532 billion – that's what already has been appropriated and what has been requested. That is, of course, on top of the regular defense budget. That brings the total cost of the Iraq war close to what we spent in Vietnam over twelve years, even adjusting for inflation.

And that's not going to be the end of these costs. The President's budget includes a request for \$145 billion for 2008, a partial plug as they call it of \$50 billion for 2009, which we do not believe is realistic. While that is more realistic than previous Bush administration budgets, it is still, we believe, underestimating the likely ongoing cost.

And let me stress, this is not just with respect to the war in Iraq. It also involves the war in Afghanistan, and the overall war on terror. I have found many times in the press reports they collapse it all down to just be the war in Iraq. That is not the case, and I think it is very important for people to understand even if the war in Iraq were to end relatively soon, we would still in all likelihood have ongoing costs certainly in Afghanistan, I believe, and in the ongoing war on terror.

Let me get into another issue that has been of concern to the Committee, and that is the estimate of what the surge, or whatever one terms it with respect to putting additional troops into Iraq. The administration indicated that the cost would be \$5.6 billion. But, the Congressional Budget Office estimated that the "surge" could actually cost \$9 billion to \$27 billion, because the administration was not fully accounting for the cost of all the support troops.

CBO says that achieving a surge of about 20,000 combat troops will actually require 35,000 to 48,000 additional personnel, once you count all the support units required. This committee held a hearing on that issue, and we found CBO's analysis to be quite compelling. We'd be interested in exploring that after the testimony of our witnesses today.

Let me close with one more important point. Senator Gregg and I strongly agree on this. Until this year, the administration has not been financing the war through the regular budget process, but instead through a series of supplemental appropriations bills on an emergency basis. We strongly urged the White House to put these war costs in the regular budget process, and to their credit, and I think actually very much to the credit of Senator Gregg, they did increase quite dramatically what they put in the budget, but it is still done on an emergency basis and that troubles us in terms of the regular order here and having the disciplined oversight that we think is critically important to making certain dollars are not wasted.

We are spending over \$10 billion a month. We think it is critically important that Congress conduct responsible oversight and look at all of our fiscal obligations.