Transcript of Remarks by Senate Budget Committee Chairman Kent Conrad (D-ND)
at Hearing on President Bush's FY 2009 Defense Budget and War Costs
February 12, 2008

Opening Statement:

The hearing will come to order. I especially want to welcome everyone to today's Budget Committee hearing on the President's defense budget and war costs. Our witnesses are Gordon England, the Deputy Secretary of Defense; General James Cartwright, the Vice Chairman of the Joint Chiefs of Staff; and Tina Jonas, the Undersecretary and Comptroller of the Department of Defense.

Secretary England serves as the chief operating officer of the Department of Defense. He was previously the Secretary of the Navy, where he provided very distinguished service. And, Secretary England, we want to, again, thank you for taking on these chores. It's certainly not for the pay. It's certainly not for the cushy hours. It is terrific that people of your quality and character are willing to serve our country, and we appreciate it.

General Cartwright is our nation's second-highest ranking military officer, with primary responsibility for overseeing the defense acquisition and budgeting process. General Cartwright, it is good to have you before the committee. We also deeply appreciate your public service. These are difficult, challenging times. And we are fortunate to have people with the integrity and quality of the people who are in our nation's service.

And Undersecretary Jonas is the chief financial officer of the Department of Defense. She is well-regarded by this committee; somebody that has done her homework, which we very much appreciate.

Let me make a quick presentation. As you can imagine, I am going to be saying things here that don't reflect on any of our witnesses here. These are matters, frankly, that are of concern to this committee, that are decisions by this administration with respect to providing transparency or failing to provide transparency to this Congress and this committee with respect to ongoing costs.

Let me put up a recent headline from the *New York Times*. It put the President's defense request in historical perspective. It's headline read, "Proposed Military Spending is Highest Since World War II."

In fact, if we look at defense outlays, we can see that under the President's request, defense spending will exceed the highest levels during the Cold War. We'll spend more than at the peak of the Vietnam War or the peak of the Korean War, even after adjusting for inflation. Keep in mind, we had several times as many troops deployed overseas during those war years as we do today.

The costs of the war in Iraq are the major factor driving our defense expenditures. It's

worth noting that before the Iraq war began, that the Bush administration suggested that we would not see spending anywhere near this level.

Here's the transcript of an interview in January of 2003 with Defense Secretary Rumsfeld on This Week with George Stephanopoulos.

Stephanopoulos: "What should the public know right now about what the war in 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, if that was baloney, we've got double baloney. Because we are now at over $600 billion either received or requested by this President for the war in Iraq alone. In fact, our most recent calculation is $624 billion on top of the regular defense outlays. That is for the war in Iraq from 2002 to 2009. That is more than 12 times the administration's original war cost estimate.

And that only includes the $70 billion of war funding requested for 2009 in the President's budget. We all know that the cost will be far higher in 2009 under the President's policies.

It's disappointing that the Bush administration has again left realistic war costs out of its budget. This is not just an issue of concealing war costs from the American people and underestimating deficits under the President's policy. It is also ignoring the law the President himself signed.

Last year's defense authorization bill signed by President Bush included a provision requiring the President to include war costs in his budget. I helped to get that provision adopted, because having a good projection of war costs is essential to the work of this committee as well as the Congress.

In last year's budget, President Bush included $145 billion for 2008, a $50 billion plug for 2009, and nothing for the years after that. In this year's budget, he included $70 billion for 2009, and nothing for 2010 or any year after that. The President is clearly understating likely ongoing war costs under his stated policies.

We know that more will be needed in 2009 and beyond, no matter what happens next. In fact, Secretary Gates testified last week that the real 2009 war cost is likely to be closer to $170 billion, not the $70 billion that is in the President's budget. Meanwhile, the Congressional Budget Office has estimated that ongoing military operations could cost $616 billion from 2009 through 2013, while the administration has included nothing after 2009.

Even if the next president chooses to reduce troop deployments promptly, there are still foreseeable costs beyond 2009. The Army has said that they need reset funding for two years

after the war in Iraq ends. None of that is in the budget.

Finally, I want to raise the issue of military readiness. It's clear the war in Iraq is severely undermining readiness. Here is what Admiral Mullen, the Chairman of the Joint Chiefs, said last week: "Tenuous, too, sir, the long-term risks we are taking to our security commitments elsewhere in the world, if we do not address the toll that ongoing combat operations are taking on our forces, our gear, our people and their families. The well is deep, but it's not infinite. We must get Army deployments down to 12 months as soon as possible. People are tired."

I would just say that ought to be an alarm bell to all of us. Military readiness is a critical component of our deterrence. Instead of getting help, our troops have been overextended. Too many have been placed in harm's way without the proper equipment. Their deployments have been repeatedly extended, and when they leave the service their veterans' care has been underfunded. They certainly deserve better than that.

This committee has tried to provide better. I am especially proud of what we did last year in terms of increasing veterans' health care funding to match and even surpass the independent budget in virtually every area. Now, that has now been adopted and has become the law of the land. And I am especially proud of this committee that provided the leadership to accomplish that.

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Questions and Answers:

Chairman Conrad:

Let me just say for the purposes of this committee, transparency is critically important because we have to act. Our intention is to be on the floor the second week of March, the week of March 10 we intend to be on the floor with a budget resolution. Senator Gregg has completely agreed with that timing. That puts considerable pressure on this committee to due the work of building a budget.

Secretary England, you know what that work is like, and all the witnesses here do. Let me just say this. Here is what is very troubling to us. In 2008, the President asked for $145 billion in that budget year, and in 2009 he put in what we call a plug for 2009 of $50 billion. We considered that progress in the sense he was beginning to tell us for the first time in the budget process what the war might cost.

I can say on a bipartisan basis on this committee, at least speaking for Senator Gregg and myself, we are extremely disappointed with this year's budget telling us it is going to be $70 billion for 2009, and there is nothing, a big goose egg, for 2010. Now one thing we know for sure, the right answer is not zero. Secretary, you said, "Hard to guess ahead." But, you know, that is what budgeting is. Budgeting is trying to bring some predictability out of uncertainty. That's our obligation. That is this committee's obligation to our colleagues, and that is your obligation to us, to try to give us your best estimate of what things are going to cost. And we

know, I think with great certainty, $70 billion is not the right answer for 2009. Zero is not the right answer for 2010.

With that, Secretary England, can you tell us – Secretary Gates indicated the other day, as I understand it, that the cost is more likely to be in the range of $170 billion for 2009. Can you give us your best estimate? Do you think Secretary Gates, after all you report to him so I assume you are in pretty close harmony on this question – are we reading his statements correctly, that the cost is likely to be $170 billion?

Secretary England:

Mr. Chairman, I wouldn't say it quite that strongly. I don't believe the Secretary believes it is likely to be $170. I believe, under somewhat duress to come out with a number, he said listen, if you just want me to state a number, I'll state a number, but it is more guess than it is an estimate, because earlier this year when we were looking ahead in 2009 we realized there were going to be significant changes taking place this year, unknown changes this year. In addition, we also know that this budget – most of this budget – will be basically spent by the next administration, so there is a lot of decisions that will be made this year into next year, because this is '09, so really this is really the next administration's budget in terms of the war, plus there are changes to be made this year when General Petraeus comes back to Washington so there will be more debate and discussion at that time.

So the judgement was rather than just try to put numbers together and not understand the basis, because on the other hand the Congress asks us to support these numbers when we submit them to the Congress. We do provide you detailed justification for the numbers, so the decision was since we can't provide you detailed justification, let us just delay providing you those numbers, and then we will provide you those numbers with detailed justification when those decisions are made this spring. That was the decision rationale.

Chairman Conrad:

Mr. Secretary, isn't the truth of the matter that the expenditures are going to be much greater for 2009 than $70 billion under any scenario?

Secretary England:

Mr. Chairman, you are right, but I'll tell you at least my thinking was on the other hand, we know that this year the expenditure is more than $70 billion, that the Congress only appropriated $70 billion this year.

Chairman Conrad:

No, I think the right number now with everything is $86, 88 billion....

We know that we're just in 2008 now, this is February. We all know much more money is going to be provided. We know that with a certainty, and we know with certainty that 2009 is not going to be $70 billion. So let me just say for the purposes of the committee and the Congress to be told by the administration it is going to be $70 billion and that 2010 is going to be zero, we know that is not so.