



U.S. Department of Defense
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Presenter: Secretary of Defense Robert M. Gates, Under Secretary of Defense Comptroller Tina Jonas and Director, Force Structure, Resources and Assessment for the Joint Staff Vice Adm. Steve Stanley

**February 04,
2008 12:00 PM
EST**

DoD News Briefing with Secretary Gates, Under Secretary Jonas, and Vice Adm. Stanley from the Pentagon

SEC. GATES: Good afternoon. Today President Bush submitted to Congress his defense budget request for fiscal year 2009. On Wednesday the chairman and I will have the opportunity to discuss this request before the Senate and House Armed Services Committees.

The investment in defense spending being presented today is \$515.4 billion, or about 3.4 percent of our gross domestic product. To give you some basis of comparison in terms of the last times we were at war, during the Korean War the percentage of GDP going to defense was about 14 percent, and during Vietnam was about 9 percent.

This year's, the FY '09 budget request is a 7.5 percent increase, or \$35.9 billion, over last year's enacted level. When accounting for inflation, this translates into a real increase of about 5-1/2 percent.

The budget request provides the resources needed to prevail in current conflicts while preparing the department for a range of challenges that our nation may face in the years ahead. The budget includes \$183.8 billion for strategic modernization to sustain our nation's technological advantage over current and future adversaries; \$158.3 billion for operations, readiness and support to maintain a skilled and agile fighting force; \$149.4 billion for military pay and health care to provide the compensation and benefits earned by our all-volunteer force; and \$23.9 billion for family housing and facilities.

In addition, our budget request includes a \$70 billion emergency bridge fund that would cover war costs into the next calendar year. A more detailed request will be submitted this spring when the department has a better picture of what level of funding will be required.

Congress has yet to appropriate the remaining balance of the FY '08 war funding request, \$102.5 billion. As I've said before, delay degrades our ability to operate and sustain the force at home and in theater and makes it difficult to manage this department in a way that is fiscally sound. I urge approval of this budget request as quickly as possible.

To provide more detail on the FY 2009 budget request, I will now turn the briefing over to Tina Jonas, the department's comptroller, and Admiral Steve Stanley, director of Force Structure and Resources and Assessment for the Joint Staff.

Thank you very much.

Q (Off mike) - question?

SEC. GATES: They'll answer all your questions.

MS. JONAS: Okay. Good afternoon. Good to have you all here. And I -- before I get started, as I have done in the past, I just want to thank all those in the department, including my own staff, who have worked so many long hours to help put this budget together.

We provided to the Congress over -- it was over 40,000 pages of justification, and I spoke with many of the clerks and staff directors just before coming in here. So we look forward to working with the Congress on this budget.

And with that, we'll go ahead and go through the slide presentation that I believe all of you have, and I'd like to hit on a few points that the secretary started out with.

First of all, as you've heard from the secretary and from the president and the director of Office of Management and Budget, the department's fiscal year 2009 budget is \$515.4 billion. And we'll go into that in a minute. But if I may spend a few moments discussing the global war on terror funding and the issue of the \$102 billion that the Congress has still yet to act on.

And if we could please go to slide three, please.

As you see, the Congress provided \$479.5 billion last year as an appropriation. We had requested \$189.3 billion for the global war on terror budget. They ended up appropriating \$86.8 billion, which the department just received, I believe, in December. We are concerned about the remaining balance, and if you'll turn to the next slide, please. I will go into some of the concerns that we have, and then I'll ask Admiral Stanley to talk a bit about the specific military operational concerns.

The first piece of the request that we're concerned about is the equipment and force protection piece, and this is aggregated not by appropriation structure. We do have a crosswalk. If those of you follow by account structure need it, we'll be able to get that to you. But this includes the reset costs to keep our forces ready. The Congress provided less than a third of the equipment funding that we need. This includes additional amounts for body armor of \$2.2 billion. That will provide about 300,000 sets of additional body armor. That's absolutely critical to us.

You see also coalition support funding. These are for our allies, our lift and sustain partnerships with many cooperating countries. We will run out of those funds in March, so that's very important to us.

And I would point out that the Congress provided very little of the additional pay requested, so we will -- the Army's operations -- pardon me -- their military personnel pay account will run out of funds in June. So we won't be able to pay our soldiers past June, and that includes all the types of -- the cash flowing that we do and reprogramming. So we're a little bit concerned about that. We have spoken with the Congress about our concerns.

And I would just turn it over to Admiral Stanley to talk to some of the specifics with regard to some of the other issues in the remaining balance there.

ADM. STANLEY: (To staff.) Will you finish building the chart?

I would just highlight the right side of the chart there. You see the equipment and force production -- protection for deploying forces not available. If you remember, the FY '08 GWOT request was based on a chairman's risk assessment conducted in conjunction with the service chiefs that talked about the stress on our ground forces. In order to minimize that stress, what we determined we needed to do was grow the ground forces. That led to the president's budgets initiative to grow the ground forces. A lot of the equipment that has not been appropriated yet is the gear that's required to outfit two BCTs, two brigade combat teams, that were accelerated as part of the grow the force initiative. So that's a very critical portion of this remaining action for FY '08.

Now that doesn't mean that the people that we are deploying into the theater over the next several months won't be fully equipped and ready. They will be. What it means is there will be holes in the gear that's left behind, which we use to train and certify those next to deploy forces. So we'll take risk in our CONUS-based forces, but will keep the deployed forces at the right readiness level.

So it's a critical issue. I would like to emphasize that there are \$16.8 billion in that account for MRAP vehicles that are -- people alive today because of the funding that Congress has provided for the MRAP vehicles, and we're very thankful for that.

I'd also try to foot stomp the idea of the operating and manpower of the pay accounts. Manpower army is the first account that starts to struggle here in the June timeframe. Our operating accounts are right after that, in the July timeframe. So our ability to continue this level of effort there, which is being -- is going along very well, will be -- you know, we'll have to stop operations about that time.

Other issues such as the -- our ability to equip the Iraqi and the Afghanistani forces that -- train and equip the Iraqi and Afghanistan national forces, 2.9 billion (dollars) there -- that's our ability to train the forces that will stay behind as we start to draw down. So it's a critical investment for us. And I think that's pretty much it.

MS. JONAS: Okay.

ADM. STANLEY: It's a very important action, continue the effort.

MS. JONAS: Okay, next slide, please.

We've gotten a little bit of attention on this already and we've had discussions with the

Congress about the fact that we will be providing -- and the secretary did mention it -- we will be providing a full and detailed request for the global war on terror for Fiscal Year '09. We are awaiting further detail from the combatant commander and there need to be some deliberations regarding what his needs and requests and requirements are, but we will be providing that to the Congress, further justification and detail. The administration has included, however, a \$70 billion allotment here to account for part of that. But we will be submitting a full request to the Congress later this spring.

Okay. Turning to our base budget, if you turn to the next slide, we provide to you -- just to give you a better idea of what our general expenses are, we break out the budget into what we call our Defense categories. The secretary articulated these numbers to you -- I won't go through them -- but it just gives you a sense of where we've -- where our dollars flow in the macro level.

And we'll go to the next slide, please.

In the military pay and healthcare area, as you see, our budget provides \$107.8 billion to provide for 2.2 million active and reserve members. We provide -- in our unified healthcare budget we provide \$41.6 billion for an eligible population of 9.2 million beneficiaries. Our family housing and facilities provide additional capabilities and quality of life initiatives including the continuation of our housing privatization efforts for another 12,324 units -- housing units -- and we continue our BRAC initiatives there for another 9.5 billion (dollars) in the budget.

Additionally, you see at the bottom there an \$11.2 billion amount for our training centers and for base infrastructure. Some of the growth here is obviously due to the continuation of our Grow the Force initiative, which we will talk about in a moment.

Next slide.

In the operations and readiness and support area, we provide 158.3 billion (dollars). A key there is our inclusion of \$68 billion for both active and reserve readiness. This includes tank miles, steaming days and flying hours. And we provide healthy accounts -- amounts there, including training and recruiting amounts, base operations. And then of course, at the bottom, there are \$183.8 billion, which we will talk to in-depth, is our investment in our future capabilities.

Next slide, please.

Another way we'd like to break it out for you is to look at how the actual increase, the \$35.9 billion, was allocated. We will allocate it again, by category, and then I'll break it out for you in terms of the department's priorities. As you can see from this cut of it, the operations and readiness support received the lion's share of the increase -- 42 percent of the increase going to those accounts. Secondly, of course, is the military pay and health care piece.

Next slide.

Okay, if you take -- if we can build this slide, please. If you take the first priority there, you see that the increase in the ground capabilities cuts across many categories of expenditure. As you follow it around, you'll see how that crosswalk works. The admiral will talk

to the increase in ground capabilities in a minute.

Let's just go ahead and build the slide, please. Improving force readiness, developing combat capabilities for the future and improving quality of life. These are our four top priorities, and that's how the dollars flow from the increase.

Next slide, please.

Okay, Admiral?

ADM. STANLEY: So this is the "grow the ground force capability" initiative, and the first thing I would highlight is, in the upper right hand corner, where you see that there's \$8.7 billion added to this initiative from FY '08. So there's an increase there of that much. If you look at the top portion of the chart, you see that on the left hand side there, where it talks about Army active units, we were at 42 billion -- 42 brigade combat teams when we started this initiative. And again, this goes back to the chairman's risk assessment that assessed that ground forces stress was the key risk area that we needed to solve, led to the initiative to grow the ground forces. And we've added structure to bring us up to 48 brigade combat teams at the end of this growth period.

There -- during that time, if you look at the -- it's the number under the 42 there, it's the 12/12, that means 12 months at home station versus 12 months deployment. That was the rotational ratio of our Army units when we started this assessment.

Following the surge, that actually got a little bit worse. It was 12 months home station and 15 months deployed. And you can see at the end of this growth period the significance of the achievement is 24 months at home station and 12 months deployed. So it more than doubles the time at home station for the unit to be reset, trained and equipped to redeploy.

There's a similar story for the Marine Corps, but I won't read you those numbers, but it's the same idea there.

At the bottom part of the chart, you actually see the slope at which these forces grow. And I would highlight, lower left corner, where you see that plus-4,000 for the Army and plus-2,000 for the Marines that we had intended to grow in FY '08, but we were actually able to grow in FY '07. That's a tremendous good-news story. That's 6,000 more ground forces that we've got in the Army and the Marine Corps right now that are helping to reduce the stress on the force.

So that's going to allow us potentially to accelerate. And we're trying to evaluate how best to do that as we consider future investments. You see here on this timeline, Army actually completes their growth in 2012 and the Marine Corps completes theirs in 2011.

MS. JONAS: Okay. One clarification there. The amounts in the budget, which is 20.5 billion (dollars), include the Grow the Force initiative for all the forces that have been included. So you see the 40,000 and 11,000. It's not just for the 5,000 additional Marines and 7,000. There was some concern about that and some confusion about that one, apparently.

Okay. Next slide, please.

Okay, force readiness. Obviously, we've added about 7.9 billion (dollars) for force readiness. And I'll ask the admiral to speak to some of the pieces in that addition.

ADM. STANLEY: I'd like to highlight the bottom of this column here, where you see the 1 billion (dollars) that's been added for partnership engagement. Really two initiative there. The first one is building U.S.-Africa Command and bringing it up to a full operational capability, which is an important initiative about how we're going to treat the continent of Africa and how we're going to engage with those nations.

You also see the train-and-equip partners, again another important initiative for us. As we look at an irregular future for our -- an irregular future, we have to be able to work with our partners to establish the security relationships that are necessary in that irregular future.

I'd also highlight the readiness and support plus \$6 billion you see in the green there on the chart. Mostly economic issues like increased fuel cost, same thing that's happening to all of us at the gas pump. Utility costs, those sorts of things. But what's important there, and you don't really see it, is things like ship steaming days, flying hours are all programmed at essentially the same levels. Small reduction in Air Force flying hours, made up for by increased use of simulators. And actually a large increase in Army operating tempo for the additional manning -- or additional training we require for those forces.

MS. JONAS: Okay. Next slide, please.

Okay. In the investment area, we've got some substantial growth, and again, I'll ask Admiral Stanley just to talk to some of the capabilities that were included in this particular budget.

ADM. STANLEY: And again, I'd highlight the upper right corner. It's a ten-and-a-half billion-dollar increase in these accounts from FY '08, and when you think about these types of accounts, I like to think about it in recognizing that there's two types of readiness we need to be able to deliver. One is near-term readiness, and we've just talked about that as we discussed our pay accounts and our operations and maintenance accounts. This is more focused on the long-term readiness; how are we going to procure those capabilities that the nation needs for the future.

And again, there's a ten-and-a-half billion increase in FY '09. I'd highlight the joint air capabilities column; that's about half of the increase. And it's driven by several things, but there's an increase in the number of joint strike fighters, as that program starts to deliver this fighter which we need for our future. There's a significant increase in the number of V-22s as, again, that program wraps up -- ramps up. We also have significant funding, 1.4 billion, in the KCX, which is Air Force's number one priority as far as a procurement account to try to deliver that capability. So a lot of growth there in those programs.

On the joint maritime capabilities, it's an eight ship total program, but it really could be nine. They are -- there's a 4.2 billion in that CVN-21 carrier replacement, so that completes that carrier, although not one of those eight ships is the carrier because it was authorized last year.

The Virginia class submarine. There was a congressional ad for advanced

procurement for a second Virginia class submarine later. We followed that up with additional advanced procurement in this budget request. You see at the bottom there two joint high-speed vessels -- that's one for the Navy, one for the Army -- at very high command, combatant commander requirement.

I'd also highlight the Littoral Combat Ships as an example of a program where we weren't able to get as far as we wanted to. We intended to buy six Littoral Combat Ships in the FY '09 program, and we found it wasn't technically ready for that, so we had to reduce our goal down to just two ships this year.

For the Army, the ground capabilities I'd highlight the future combat system there you see at the top of the column, and not so much that system, but what we're doing with it. This is a way we're developing future capabilities for our ground forces, and as they become mature, we spin them out to the rest of the ground force. We don't just leave it in the future combat system. So the two spin-outs that are happening in this program are unmanned ground vehicles and the unmanned air vehicles. Also highlight the space capabilities. That's about 2 billion of that ten-and-a-half billion increase.

You see -- at the top of the list, there are -- two space-based infrared satellites are being procured, there's one Mobile User Objective System satellite being procured, the fourth advanced extremely high frequency satellite, so a lot of investment in those accounts as well.

MS. JONAS: And I -- if I could add also, at the bottom you see that the budget includes an addition for peer-reviewed basic research. This is a specific initiative that the secretary and the chairman are putting emphasis on. You see there we're including an addition of 300 million (dollars) to the baseline budget. That's up -- we're up 7 percent in that account in total, and of course we added 1.4 billion (dollars) over the program plan, again, for six-one basic research.

Next slide, please.

Finally, our -- and really, most importantly, we've been talking a lot of late about our people and improving quality of life. In this budget, we continue to put emphasis on our people, providing another 3.4 percent increase for military pay for members. And you see there, what the average -- for example, an average E-6 pay will see basic pay increase by \$1,289. So we think that's a healthy increase, in addition to other things that we're doing in the budget for our military members.

Our civilian workforce -- we're requesting an increase, a 2.9 percent increase for their pay. On the housing -- basic allowance for housing, BAH as it's known, and basic allowance for subsistence, we have healthy increases there of 5 percent and 3.8 percent, so that we continue our commitment to no out-of-pocket costs.

We additionally include our BRAC round. We've talked a little bit about that; 9.5 billion (dollars) in total for that -- for continuing that initiative. And on the Defense Health Program, this includes -- this is specifically the Defense -- what is known as the Defense Health Program, it's 23.6 billion (dollars). The total unified budget, as I said earlier, is 41.6 billion (dollars), which includes the cost of military personnel and facilities. So we have a healthy increase in improving the quality of life for our men and women.

Last slide, please.

And finally, the secretary alluded to it, but the president announced in his State of the Union speech that we would be submitting legislation to provide for additional benefits for our men and women including the transfer of what are known as the Montgomery G.I. bill benefits to spouses and family members of our men and women, and including some other expanded benefits including public-private partnerships for child care centers. And of course, as we've been working the last year in conjunction with the Department of Veterans Affairs to continue to implement the recommendations of the Dole- Shalala commission.

Last slide, please.

So again, there you see we're very -- I think, very happy with this budget. It's a healthy increase for us, and I think we are ready to take your questions.

Q On the page, it's 4 percent of gross domestic product.

That was one thing the secretary and Admiral Mullen have talked about. This budget failed to get there. It's basically your last shot as an administration. Did you try -- did you push with OMB to get that level and were just shot down, or what were some of the dynamics there?

MS. JONAS: Well, I think we got a very healthy increase this year. I think we're very -- I think we're very pleased with the increase. And I'll let Admiral Stanley talk to where the military is about it.

I think in the conversations that the secretary and Chairman Mullen have been having, it's really about a broader, more longer-term perspective on where we need to be. As you know, with our supplementals we are about 4 percent, so if you included the 70 billion (dollars), we'd be there right now.

Q But that's not your intent -- (off mike) -- to boost it by supplementals. That's not the intent -- (off mike).

MS. JONAS: Correct. Correct. And there are some things that we've been doing over the last couple years. For example, in the Grow the Force initiative, you will recall that we had been including 36,000 soldiers in our supplemental budgets. And this budget includes that in the base. Eleven thousand Marines were previously included. This budget includes them in the base. This budget also goes to areas such as force protection and the Joint IED Task Force. We're including a half a billion for that in the baseline.

So the department is moving toward where it needs to be for the longer term.

Q Can I ask you a quick procurement question too? Straight procurement is \$104.2 billion in this budget. Last February you projected it would be \$110.5 billion in the '09 budget. What happened to the \$6 billion?

MS. JONAS: Well, I'll let Admiral Stanley talk to some of the particulars. We frequently were wrong on the out years. As you know, there are a lot of decisions that get made as you're

putting together a budget, but I'll have Admiral Stanley talk to --

ADM. STANLEY: It's things like LCS. It's programs where we found that, for whatever reason -- in the cases of LCS, it was technology wasn't ready, so we couldn't -- it wasn't prudent to request six LCS in FY '09, even though that had been our plan. Another example of that is transformational satellite. Again, the technology is still developing. It was prudent to slide that one a little bit and not to request resources we had intended for that one. Those types of things. Those resources went into other things that are very important for the department, things like the increased costs for pay and readiness and such that we've already talked about. So it's not like those monies were ill spent.

Q (Inaudible.)

Q Thanks. On the war funding, are you saying that you're not going to give the full '09 request until you get the rest of the '08 money? And also -- I'm sorry, go ahead.

MS. JONAS: Do you want to go ahead and -- (off mike)?

Q Yeah. Also, why can't you just give us a best-guess estimate and then amend it when the reports come back from the commanders, as the law requires?

MS. JONAS: Well, we've obviously been working with the Congress, and we amended the budget twice last year. I think there are many factors in play right now. It's my judgment that we could have provided a bogey, if you will, but it would have been less informed than it needed to be.

And I don't believe we're going to be too much delayed on this. I believe that we'll understand pretty quickly and be able to provide the Congress with the full year's request.

But I will turn to Admiral Stanley because there are some things, as you know, building a budget -- we would prefer obviously to understand what the Congress intends to do with the 102 billion that's left on the table. That will affect what we would ask for, and so that would be preferable. It's not necessary, but it does make the conversation a little bit more difficult.

Q I'm sorry. So what exactly are you waiting for?

MS. JONAS: Obviously the combatant commander, the advice of the commanders in the field, the consideration of the secretary and the president about the way forward will affect our operating tempo, and that's a key component of what we would be asking the Congress for.

Q When you say combatant commander, do you mean General Petraeus or Admiral Fallon?

ADM. STANLEY: I would say it's Admiral Fallon. Obviously General Petraeus will be here and they will provide their best assessment of the war fighting situation in Central Command, and that will be taken into consideration by the president as he decides how to request resources for the -- the rest of the resources that are going to be required in FY '09.

Q I didn't see anything about long lead funding for F-22, nor did I see any money for shutting down the program. So if you're not going to build them and you're not going to shut it down, what are you going to do?

ADM. STANLEY: Well, F-22 we're in the third of a multi-year procurement, so FY '09 there's 20 aircraft in that multi-year procurement. The deputy has notified the Hill that additional F-22s may be requested in the FY '09 GWOT request. That would make up for the aircraft that had been lost during combat operations in Iraq or Afghanistan. Because of that 20 that was in the -- last year, the multi-year, potentially these additional aircraft, there was no reason to program shutdown costs in FY '09. The line would remain open; it would not require shutdown costs in FY '09, so they are not there. It also has the advantage of leaving a decision about F-22 to the next administration, which will have to execute the program either way it goes.

MS. JONAS: Well, if I could also add, you might want to talk about the F-15.

ADM. STANLEY: Yeah, that's a good point. Thank you.

MS. JONAS: Certain amounts were included also to try get at the F-15 problem.

ADM. STANLEY: Because of the F-15, the problem, we took -- the F-22 shutdown money is one of the things that it was used for, was to fund additional maintenance required for the F-15s to get them back up in the air.

Q Might ask you about the division of money among the armed services? Chairman Mullen has expressed particular concern about the state of the Army, and I wonder if you stuck to the old formula when you divided the defense dollar up among the armed services or whether you apportioned a more generous percentage to the Army. That's part one.

Part two is, the GAO has said military procurement's out of control in various reports and testimony, and that there's not sufficient oversight by the Pentagon.

Are you doing anything about that?

ADM. STANLEY: Well, first off, we don't allocate money by a fair-share percentage of the top line. We allocate money --

Q It's been that way for years. The same --

ADM. STANLEY: It might turn out -- it might look that way if you look at the trends, but what we actually do is we make specific program decisions. And we look at what the Abrams tank modernization program is required for the Army, and we fund to that level. So it's a program-by-program decision that leads to this sort of -- to the top lines that each one of the military departments has.

As far as military procurement being -- requiring additional oversight, I think Secretary Young is doing that. He's providing that oversight. He's engaged with the programs. But I would recommend that you talk to the specific military departments in the breakout sections if you've got some specific questions.

MS. JONAS: I would just simply add, too, we -- in particular, we have some terrific auditors in this department. And I want to thank the IG's office. I have the Defense Contract Audit Agency folks; 4,000 auditors report to me. Last year, they did over 35,000 audits and saved the department close to \$2.4 billion by questioning some of these items.

So we appreciate the question. We certainly monitor and look carefully at what GAO is recommending, and we look carefully -- as a manager, I look carefully at all the recommendations of our auditors. It's quite an important function.

Q How is OSD working with OMB to help provide some guidance to the services in the outyears, say 2010, 2015, with the possibility that there may be no more supplementals or reduced supplementals?

MS. JONAS: Well, we spoke a little bit with Tony, but I would say, you know, in all frankness, it's up to the next administration to decide how it wants to shape the outyears. Clearly, we develop -- we do outyear planning here. The services are busy doing that. Obviously, the White House and the Office of Management and Budget is always engaged in looking at the outyears, particularly for projections of deficit concern and outlays. But I would just have to defer -- the next administration will have to work with the military, with the services on what the out-year profile looks like.

Q Just for clarification, did I hear you say \$500 million in this budget would go to JIEDDO?

MS. JONAS: That's correct.

Q Is this the first time that JIEDDO funding has been in the base budget?

MS. JONAS: Yes it is. Yeah.

Q Can you talk about why move it to the base budget, and why not move all of it to the base budget, just some of it?

MS. JONAS: (To Admiral Stanley) Do you want to talk a little bit to --

ADM. STANLEY: The basic idea is, we're trying to move the portion of JIEDDO that is -- we recognize at this point is enduring into the base budget, and we'll continue to fund that for the enduring mission. We recognize a lot of what JIEDDO's doing today is the result of operations in Iraq and Afghanistan, and that is not enduring.

Q Can you clarify, what does enduring mean?

ADM. STANLEY: Lasting over a period of (several years ?).

Q No, what exactly -- (off mike) -- enduring? (Laughter.)

ADM. STANLEY: Oh, it's the organizational structure that looks at things like IED. That needs to continue.

The networking that goes along. Research and development efforts. There's a whole slew of things.

MS. JONAS: Okay.

Q The addition maintenance for the F-15s, how much?

MS. JONAS: I think it was 497?

ADM. STANLEY: Yeah, it was almost 500.

Q That's for how many aircraft, all the ones that --

ADM. STANLEY: That was a rough estimate. I mean, I'm sure Air Force can give you a much better estimate now. That was an estimate that we had in the late November, early December time frame.

(Cross talk.)

Q Is there additional money for JIEDDO also in any of the supplementals, so that that would be on top of this 500?

MS. JONAS: Well, of course, we haven't decided the '09 piece, but we did have a request in the '08 piece, and that was fully funded by Congress. So we're good for right now. With respect to what's remaining on the table, Congress as part of its -- the \$86 billion did provide what we requested there.

Q So we'd see an equal amount, possibly, for the rest of '09?

MS. JONAS: We haven't really decided on the '09 piece. I'd have to defer. I'll be happy to talk to you at a later point on that one.

Yes?

Q On the Defense Health Program, you mentioned an increase. I wonder how much of that comes from the increased cost shares. And is it all of it or is there also an assumption that a certain number of people will not seek care, for instance, and does that also generate some savings?

MS. JONAS: What is included in this budget is an assumption of about a hundred -- or a billion-two, roughly divided 700, I think, for pharmacy and 500 for changes in premiums and enrollment. And on that point, many of you probably have been briefed or heard about the task force that Congress commissioned, and they reported out, I think, in December. So this basically -- this budget accepts the recommendations of that commission with respect to -- I think it's recommendation 9 and 10 -- to try to address that.

We understand and realize that we will have to work with the Congress and engage with Congress in a final kind of outcome here, but we are proposing some changes to the

health care premiums and co-pays.

Q Thank you.

Q You said the 183 -- the press release says that the \$183.3 billion in the modernization accounts is an \$8.3 billion increase over the FY '08 enacted funding for those accounts. But if you compare that figure to what your office published in March in the green book, it would actually -- which was 187.6 billion (dollars) for modernization, the requested budget reflects a \$3.8 billion decrease from what the Pentagon was expecting earlier this year for those procurement accounts.

Does that reduction reflect technical adjustments to programs like LCS that weren't ready, or are there larger pressures that you had to deal with, like rising health care and fuel costs that kind of forced you to dig into the modernization accounts?

MS. JONAS: Let me just say -- I mean, we're very pleased. I think last year our -- if you look at just strictly on the account, our procurement account was 99 - just under \$100 billion. And I think again the admiral can amplify the military's view on this, but I think we're very pleased to be at \$104 billion on procurement.

Obviously, we have discussed many times the pressures that we have, the cost of people. Health care has been a continuing challenge for us. And as with any organization in America -- company, private, whatever -- we continue to have challenges in that regard.

So clearly, we have some issues with that. Steve, do you want to --

ADM. STANLEY: It's the same. I really can't offer a whole lot more. I mean, there are specific programs that were challenged technically, and we did what we thought was the right thing for those programs so we don't waste money, you know, against things that aren't ready. Now, that did result in a reduction in the FY '09 piece, but it's, you know, as Secretary Jonas has already pointed out, this is an increase over where we are in FY '08. And yes, we're very excited about being over 100 billion (dollars).

Q And the 515 top line reflects about a \$4.4 billion increase over what the department was expecting earlier this spring. Can you say what case you made to the White House to get that additional \$4.5 billion?

MS. JONAS: One of the initiatives that is classified, but one we haven't talked a bit about was the cyber initiative. The White House will be sending teams up to the Hill and as -- we did discuss that in the session with many of the staff directors and clerks just before we came in. But this is clearly part of our -- part of the things that we're concerned about and was part of the initiatives that increased our top line.

As the Admiral stated earlier, obviously, fuel is a big issue for us. Part of the reason that the Air Force is having a decrease in their flying hours is -- we added 1 billion (dollars) to their accounts. And there's a slight -- still a slight decrease in their flying hours, and that's just because of the price of fuel.

Q Ma'am, you've briefed that your adding funding to grow the ground forces, but

there isn't really money for commensurate airlifts to move these forces around. What is your policy on C-17? Are you going to shut the line down or keep it open? And what is your plan with regard to C-5 and re-engining?

ADM. STANLEY: Yeah. Our strategic lift requirement is based on different scenarios, different war-fighting scenarios. Just because we grew the size of the ground forces doesn't mean that our predictions about the percentage of those forces that need to be rapidly deployed, like the strategic airlift, has changed. It means that the force that we need to have available on a day-to-day basis for rotational type missions -- deployment missions -- has grown. So it's not directly related, but the department is going to be updating those mobility capability studies.

Q Did you put planning in to shut down the C-17 line or no?

MS. JONAS: The budget does not include funds to shut down the C-17 line. We -- as many of you recall, the Congress added additional C-17s, and because of that we don't -- we looked at that, and we feel that the shut-down costs ought to be then included in a future budget.

(Cross talk.)

Q -- growing of the force piece, which is a significant increase, as you mentioned. Can you talk about what -- can you give us an estimate of what the entire initiative will cost, from start to finish, 65,000 in the Army, 27,000 additional Marines? And then talk if you can -- break down that roughly \$20 billion. How much is for recruiting? How much is for facilities? Give us some more --

MS. JONAS: We'd certainly be willing to provide the full breakout for you, but just -- as you may -- many of you who were here last year -- we included last year, I believe, about \$122 billion across the FYDP.

I think it's -- the figure now is roughly around 90 some-odd. But it's a pretty extensive initiative. Of that 20 billion, 15.5 is for the Army, and the balance is -- the five is for the Marine Corps. Again, as I will just reiterate because there's been some confusion on this, don't forget this includes the tail. So, for example, the cumulative total for Army soldiers that will go up is 50,000, so we're paying for 50,000 additional in this budget. We're providing for an additional 19,000 Marines.

Q Yes -- (off mike) -- on the F-22. The Air Force has long said it was 391 F-22s. Are you all essentially saying that you're backing away from the long-term plan to cap production at 183 and just letting the next administration decide that issue?

MS. JONAS: I wouldn't say that the department has changed its position on the total amount, the 183. Steve already explained the issue with respect to the combat losses. I do believe, though, that the next administration will have to make a call on what they want to do ultimately.

But as far as whether -- and again, I'll let Steve talk to the issue of combat capability requirements -- but we haven't really changed our position on that.

Steve?

ADM. STANLEY: Yeah, there's really little I can add. The department's position remains 183 as the requirement. We'll have to continue to work. But the issue about shutting down the line this year wasn't required, so it's not included.

MS. JONAS: Okay. One more.

Q Getting back to the issue of the '09 GWOT supplemental, you said up front that you could have come up with your own bogie, but you decided not to. For those of us who obviously when General Petraeus comes back want to try to do our own sort of back-of-the-envelope estimates, can you give us any guidance? You mentioned op-tempo is an issue. Obviously, force level is an issue. This time last year you said 142 billion for 15 brigades; at the end of the year you had 189. For the surge, up to 20. Does mean that bracket's -- (off mike) -- from 20 back down to 15? Should we estimate in between? I mean, can you give us some guidance as to where this might be?

MS. JONAS: Well, I'll let Steve talk to some of that, but just to give you some context here, don't forget we pointed out that there was about 17 billion in that that got added for MRAPs, which was - I think you really, for all intents and purposes, you ought to back that out of the equation.

Steve, do you want to -

ADM. STANLEY: Yeah, just remember that last time Central Command came forward with a recommendation the president accepted that recommendation. It reduced us from where we were about 20 BCTs in theater down to about 15. We don't complete that drawdown until about July, so there's a, you know, piece of that that's in the funding requirement for FY '08, the changes that you discussed. So trying to guess what the Central Command is going to say about the next step in this I'm just not willing to push at.

MS. JONAS: Okay

Q (Off mike) -- though to guess? I mean, if we pulled the 17 billion out and say it's somewhere between 142, which was 15, and 170, which was including the surge money, is that a bracket we could go with?

MS. JONAS: Your guess is as good as mine right now.

Can I just point out -- excuse me here, Steve -- let me just -- we do -- on the web we've provided a copy of our justification -- summary justification, and we -- I think many of your questions might be available there. So that's up and on the web right now.

Does anybody know -- I think we'll get the -- it's the -- do you know what the site is?

STAFF: Budget.mil.

MS. JONAS: Budget.mil. Okay. So that's the site.

And so I want to thank you all for this afternoon and appreciate your attendance.

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