

**Statement for the Record by the Honorable Gordon England
Deputy Secretary of Defense
Before the Senate Budget Committee
12 February 2008**

Chairman Conrad, Senator Gregg, Members of the Senate Budget Committee,

I deeply appreciate your continued support of our military and thank you for the opportunity to meet today and discuss the President's Fiscal Year 2009 Defense Budget and war costs. We share a common, fundamental goal; the first obligation of any government: the defense of the nation. The budget request before you is carefully reasoned and designed to achieve that broad goal as well as specific goals set forth by the President: to prevail in the current conflict, to prepare for the entire range of irregular and conventional threats that will challenge the nation in years to come, and to improve the quality of life for our servicemembers and their families.

The Vice Chairman of the Joint Chiefs of Staff General Cartwright and the Under Secretary of Defense (Comptroller) Ms. Jonas are with me today, and the three of us look forward to your questions.

Before addressing the components of this budget in detail, I think it useful to describe again the strategic landscape and challenges confronting the nation: the essential context for any discussion of national security and defense spending. Additionally, I believe it worthwhile to describe briefly for you the rigorous process that generates the Department's submission. With an understanding of the strategic imperatives that inform

our efforts and an appreciation of the actual process as a foundation, it's possible to better understand both the scope and the complexity of the Department's budget request.

Strategic Landscape

We live in a dangerous world; one in which the many security challenges confronting the nation can be expected to endure, and indeed, likely to grow in complexity and magnitude. Most would agree that we are now engaged in a long war. For the extended duration of this conflict, the demands levied upon us will ebb and flow, our successes will be leavened with occasional setbacks; ultimate victory will be long in coming, and our endurance and resolve will be tested.

The exceedingly complex security environment in which the nation is obliged to conduct its affairs is distinguished by a variety of prominent challenges, among them:

- Terrorism, extremism, and violent jihadism;
- Ethnic, tribal, and sectarian conflict;
- Potential weapons of mass destruction proliferation;
- Failed and failing states;
- Emerging powers whose intentions are either uncertain or unknown.

While terrorism will remain the dominant threat to our security for some time, each of the threats listed above is significant and poses its own unique challenges; together, they constitute a significant threat to our interests. While each demands a discrete set of

capabilities, prudence demands that we pursue an altogether comprehensive approach distinguished by a balanced set of capabilities. As is often said, the one certainty of the future is its unpredictability. Thus, with that dictum in mind and history as our guide, the military is compelled to prepare for the entire spectrum of challenges.

The clear lesson of the post-9-11 era is that the protection of America's security, prosperity, and freedom demands unwavering commitment to an active, robust defense posture. The base budget request reflects that sensibility. It is also clear that while the defense of the nation and its interests, both at home and abroad, has never been the exclusive purview of the military; the challenges we confront today defy an exclusively military solution and demand an integrated approach. Secretary Gates has said that, in the future, "Success will be less a matter of imposing one's will and more a function of shaping behavior—of friends, adversaries, and most importantly, the people in between.... But these new threats also require our government to operate as a whole differently—to act with unity, agility, and creativity. And they will require considerably more resources devoted to America's non-military instruments of power." Surmounting the nation's challenges and those of our friends around the world will require the intelligent, integrated application of all instruments of the nation's power.

Defense Budget Process

Be assured that the Department fully understands, and takes absolutely seriously, its fiduciary responsibility. Every budgetary decision is made with the clear understanding that we are obliged to spend the money of the American people wisely. To that end, the

Department has, over the years, developed a rigorous and refined budget process. It is a fully inclusive, exhaustive methodology whose ultimate product reflects the collective wisdom of the Department's entire leadership. Emblematic of that approach, the Vice Chairman of the Joint Chiefs of Staff and I chair a group called the Deputy's Advisory Working Group (DAWG), one of a number of horizontal integrating mechanisms composed of the Department's senior military and civilian leaders. It is an open, collaborative body that relies on the unique experiences, expertise, and perspectives of its members to achieve informed resource decisions.

In 2006, the Department implemented "capability portfolios" as a means to better inform resource decisions. Each portfolio groups related capabilities together to promote visibility and facilitate objective resource decisions. This approach contributes to a more reasoned and practical trade-off within a given capability set as required. Likewise, the DAWG, functioning at a level above the portfolio managers, does the same across the entire gamut of capabilities.

The mechanisms described above are designed to account for relevant factors and to enable the soundest resource decisions possible.

FY 2009 Base Budget

The President's FY 2009 base budget request of \$515.4 billion provides the essential resources necessary to execute the National Military Strategy. Although the budget is admittedly large, its size needs to be considered in the terms of both contemporary

challenges and historical context. In 1945, as World War II drew to a close, the Department's budget as a percentage of Gross Domestic Product (GDP) was 34.5 percent. It has steadily fallen from that high ever since: During the Korean conflict it was 11.7 percent; in Vietnam 9 percent; and in Desert Storm 4.4 percent. The base budget request of \$515.4 billion represents about 3.4 percent of GDP. While total defense spending has increased significantly since 9-11, at roughly 4 percent of GDP (when war funding is included) it remains the smallest percentage ever invested by the nation in its defense during wartime.

When appropriated, this budget will sustain an enterprise of immense scope and complexity: 2.9 million employees, a global footprint that includes 545,000 facilities at 5,300 locations in the U.S. and around the globe, 5.2 million inventory items and over \$1.5 trillion in assets. The request is a \$35.9 billion—or 7.5 percent—increase over last year's enacted level. When inflation is accounted for, the request represents an increase of about 5.4 percent. In summary, the base budget request:

- Supports the President's commitment to prevail in Iraq and Afghanistan and grows the U.S. ground forces required to do so;
- Maintains the high rate of military readiness commensurate with our nation's global responsibilities;
- Prepares for a wide range of dangers that may threaten the nation today and in the future; and

- Provides high quality health care for our all-volunteer force and their families.

While \$515.4 billion is by any standard a lot of money—Secretary Gates has referred to the Defense Budget as “staggering” —and altogether sufficient, when combined with required supplemental funding, to support the nation’s defense needs, it affords significantly less flexibility in spending than may, at first, be obvious. As is true in any budget, much of it is consumed by what can be considered fixed costs. Specifically, the President’s Fiscal Year 2009 Defense Budget requests:

- \$107.8 billion, an increase of \$9.6 billion over the Fiscal Year 2008 enacted level of \$98.2 billion, for pay and benefits to improve the quality of life of the 2.2 million active and reserve members. Notably, the Fiscal Year 2009 budget increases military pay by 3.4 percent and improves benefits for the all-volunteer force. It is instructive to note here that the requested funding for pay and benefits alone represents about 21 percent of the entire base budget.
- \$41.6 billion of the base budget is requested to maintain high quality health care benefits for 9.2 million military members and their families, working-age retiree members and their families, and Medicare-eligible beneficiaries. When taken together, the funding requested for pay and benefits and health care constitutes nearly a third of the base budget. While these are vital, fundamental requirements reflecting our deep commitment to our people, their sheer size illustrate well the immense proportion of the defense enterprise. On the subject of health care, it’s appropriate to note that the Department continues to believe

that increases to the TRICARE out-of-pocket costs for working-age military retirees are necessary to ensure that military health benefits remain affordable and sustainable. To that end, legislation providing an additional \$1.2 billion in resources and recommending enactment of the recommendations of the Task Force on the Future of Military Health Care will be submitted.

- \$158.3 billion, an increase of \$14.9 billion over the Fiscal Year 2008 enacted level of \$143.4 billion, is requested for operations, maintenance, training, and facility and base support at levels consistent with those of Fiscal Year 2008; of that figure, \$68 billion is requested to maintain readiness and ensure that our soldiers, sailors, airmen, and Marines remain at the highest levels of proficiency; \$33.1 billion is needed for support activities; \$10.7 billion is needed for recruiting, training and retention; \$11.8 billion is requested for equipment maintenance, repair and refurbishment; and \$32.6 billion is requested for facility and base support.
- \$183.8 billion, an increase of \$8.3 billion over the Fiscal Year 2008 enacted level of \$175.5 billion, is requested for modernization to meet future threats. This figure includes funding for procurement, as well as research and development. It includes \$9.2 billion to modernize ground capabilities and to continue development of the Army's Future Combat System; \$16.9 billion to enhance our maritime capabilities to preserve the Navy's capacity to exert global presence and influence; \$45.6 billion is requested to improve our aviation capability; \$10.7 billion is requested to strengthen joint space-based capabilities; and \$68.5 billion is requested for an array of command, control, communications, computers and

intelligence equipment; procurement of advanced munitions and missiles; and a variety of mission support including ammunition. These investments are critical to ensuring that the Department remains capable of meeting the full spectrum of security challenges across every domain. The demands of sustained war coupled with the growing age of many major weapon systems necessitate determined efforts to ensure their timely replacement.

- \$23.9 billion is requested for family housing and facilities; of that, \$9.5 billion is requested to continue Base Realignment and Closure (BRAC); and \$3.2 billion, an increase of \$300 million over the Fiscal Year 2008 enacted level, is requested to construct new and to improve existing family housing. Included in this request are funds to reduce overseas housing and to increase military housing privatization.

Additional noteworthy requests, contained in the figures described above, include:

- \$15.5 billion is requested to increase Army active duty end strength to 532,400 and \$5 billion to increase Marine Corps end strength to 194,000 in order to increase our ground combat capability to meet current and projected needs while reducing stress on the force by increasing the average time between deployments. With the lessons of the last six years in mind, funding for the planned, phased growth of the Army and Marine Corps must be sustained.

- \$750 million is requested to strengthen the military and security capabilities of global partners. Earlier I touched on the importance of an integrated, multi-faceted approach to the nation's security; the development of partner nation capability will become increasingly important in this regard and this request is central to our efforts.
- \$389 million is requested to establish the U.S. Africa Command. The creation of AFRICOM reflects acknowledgement of the importance of a holistic approach to security and stability issues as well as the absolute necessity of building effective security partnerships around the globe.

War Funding

Regarding war funding, on February 6, Secretary Gates included the following comments in his opening statements to the SASC and HASC:

“In addition to the \$515.4 billion base budget, our request includes \$70 billion in emergency bridge funding that would cover war costs into the next calendar year. A more detailed request will be submitted later this year when the Department has a better picture of what level of funding will be needed.

The 2007 National Defense Authorization Act requires the Department of Defense to provide an estimate of costs for the Global War on Terror. We would like to be responsive to this need. Indeed, I was voluntarily responsive to a similar request last year. Some have alleged that the Administration has taken this position in order to somehow hide the true costs of the war. Nothing could be further from the truth. The Department has been very open about what we know about our costs, as well as what we

don't know. So the challenge we face is that a realistic or meaningful estimate requires answers to questions that we don't know yet, such as:

- When and if the Department will receive the requested \$102 billion balance of the FY 2008 Supplemental War Request, and for how much; and
- What, if any, adjustments to troop levels in Iraq will result from the upcoming recommendations of General Petraeus.

We should also keep in mind that nearly three quarters of the FY 2009 Supplemental Request will likely be spent in the next administration, thus making it even more difficult to make an accurate projection.

I have worked very hard during my time in this job to be responsive and transparent to this Committee and to the Congress. Nothing has changed. But, while I would like to be in a position to give you a realistic estimate of what the Department will need for FY 2009 supplemental funds, I simply cannot at this point. There are too many significant variables in play. I can give you a number, but that number would inevitably be wrong, perhaps significantly so—i.e., “precision without accuracy.”

As I mentioned earlier, Congress has yet to appropriate the remaining balance of the FY 2008 War Funding Request, \$102.5 billion. This delay is degrading our ability to operate and sustain the force at home and in theater, and is making it difficult to manage this Department in a way that is fiscally sound. The Department of Defense is like the world's biggest supertanker. It cannot turn on a dime and cannot be steered like a skiff. I urge approval of the FY 2008 GWOT request as quickly as possible.”

Conclusion

As I noted at the beginning of this statement, the Department and the Committee share the same objective—to protect and defend America. While the global challenges confronting the nation are substantial and enduring we can all take comfort in the courage, commitment and example of those sworn to defend her. Their heroic efforts and sacrifices in the years since 9-11 and, particularly, the progress achieved in Iraq in the last year and ongoing efforts in Afghanistan, are ample evidence of the dedication and prowess of our men and women in uniform. The hard won progress they have earned must not be jeopardized. I again urge the Congress to expeditiously appropriate the outstanding balance of this year’s war funding request to ensure our dedicated troops continue to receive the support they deserve.

Those of us charged with the stewardship of the Department of Defense are ever mindful of the great trust the nation has placed in us. The base budget submission reflects our acknowledgement of that trust and the obligation it connotes. As Secretary Gates has said, “the President’s budget for FY 2009 provides the resources necessary to maintain an agile, highly trained, and lethal fighting force, increase Army and Marine Corps end strength, and sustain the United States’ technological advantage over current and potential enemies.”

Chairman Conrad, Senator Gregg and Members of the Committee, thank you for your steadfast support to the selfless men and women of our military. We look forward to your questions.