

**Statement of Secretary of Defense William S. Cohen  
In Connection with the FY 2001 Defense Budget  
Senate Armed Services Committee  
8 February 2000**

Mr. Chairman, members of the Committee, it is a pleasure to be here to present President Clinton's fiscal year (FY) 2001 Department of Defense (DoD) budget request.

As we move into the 21<sup>st</sup> century, people around the world seem especially hopeful that a new era of peace and prosperity might lie ahead. The United States shares that hope and, more than ever, stands as the nation most able to lead the world toward its fulfillment. Our bountiful resources, energetic people, and democratic values form the backbone of our global leadership. But our nation's strong defense posture also is essential because around the world there remain serious threats to the interests and hopes of America and its allies and friends.

In its global leadership, America's aim is an environment in which critical regions are stable, peaceful, and free from domination by hostile powers; the global economy and trade are free to grow; democratic norms and respect for human rights are widely accepted; the spread of dangerous weapons and technologies is minimized; and nations cooperate to prevent and, if necessary, respond to calamitous events. Advancement of this aim is a pivotal U.S. interest. And given our extraordinary competitiveness in a growing global market, the American people have an enormous self-interest in promoting a stable and prosperous international environment.

**Transformation of America's Defense Posture**

Ensuring U.S. security and global leadership in the new century will require a much different defense posture than that which won the Cold War and Gulf War. The design and advancement of the needed transformation of America's defense posture has been the dominant aim of the Department of Defense during my tenure as Secretary and will, I am convinced, be an important legacy of the Clinton Presidency.

The post-Cold War transformation of the U.S. defense posture has been built upon the outstanding work of my predecessor, Bill Perry, and been guided by the Department's May 1997 Quadrennial Defense Review. The QDR articulated a new defense strategy detailing DoD's essential role in enabling the U.S. to **Shape** the international security environment in ways favorable to its interests; **Respond** to the full spectrum of crises; and **Prepare** now for an uncertain future. The QDR also intensified the Department's focus on the complex array of future security challenges -- spanning a wide spectrum from hostile regional regimes such as Iraq and North Korea to less distinct dangers such as terrorism and information warfare.

At the core of America's new defense posture will be a transformed U.S. military -- with forces differing markedly from those of past decades. Technology, vastly changing the civilian world, is bringing revolutionary changes to military affairs as well, most notably through quantum advances in information-related capabilities. Still, the life blood of America's defense posture will continue to be the individual soldier, sailor, airman, and marine. Their high quality remains essential to future U.S. security under any threat scenario.

For this new security era, the Department's support activities also must be transformed -- at least as dramatically as U.S. combat forces. DoD support activities must be leaner, highly responsive, and a smaller portion of the total budget.

Today in presenting the FY 2001 DoD budget, I want to broaden the discussion to assess our progress in transforming America's defense posture by highlighting (1) what actions were called for in the QDR, (2) what has been done to achieve those actions up through the FY 2001 budget, and (3) what challenges still remain. Up front, one must acknowledge that the transformation of America's defense posture is necessarily a long-term undertaking and probably cannot be completed before the tenure of my successor's successor. But the foundation is laid, blueprints are agreed upon, and key building blocks are in place. That achievement should make all Americans very proud.

### **FY 2001 Budget Overview**

The QDR called for defense budgets that balance both current and future needs. The FY 2001 budget continues DoD's adherence to such a balance by funding robust capabilities to meet today's requirements, while at the same time investing substantially for tomorrow. Especially critical is continued emphasis on DoD's central priorities of people, readiness, and modernization.

The new budget protects President Clinton's commitment to preserving the high readiness and quality of this nation's armed forces as the enduring core of America's defense posture. Last year the President's commitment was underwritten by his allocation to DoD of \$112 billion in added resources for FY 2000-2005. In the new budget that commitment is reinforced by more added funding: \$4.8 billion in FY 2001, primarily for operations in Bosnia and Kosovo and for higher fuel costs. DoD budget authority in FY 2001 is \$291.1 billion, \$11.2 billion higher than for FY 2000 (including proposed supplemental appropriations), resulting in real growth of over one percent.

### **People and Quality of Life**

In reinforcing the importance of top quality military people, the QDR called for strong funding of programs crucial to the quality of life of our military people and their families -- most notably pay, housing, and health care.

For military pay, exceptional achievements have been realized. Last year, responding to emerging concerns about recruiting and retention, President Clinton proposed the largest increase in military compensation in a generation. He requested the highest pay boost since FY 1982, improvements in military retirement pay, and changes in pay tables to enlarge raises associated with promotions. Congress approved and increased this benefits package, and now the FY 2001 budget reflects implementation of this dramatic multi-year upgrade in military compensation. The request raises military pay 3.7 percent, which is .5 percentage points above the forecasted rate of civilian wage growth (employment cost index or ECI). It also fully funds the pay table reforms and changes in military retirement approved last year.

For housing, the Department continues working to derive the greatest payoff from available resources -- most importantly by tapping private sector expertise and capital. Building on our

considerable progress, the FY 2001 budget proposes a Basic Allowance for Housing (BAH) plan that in FY 2001 will reduce out-of-pocket costs for military members from 19 to 15 percent relative to nation-wide median housing prices. The plan will completely eliminate such costs by 2005 -- so that off-base members can have no out-of-pocket housing expenses, the same as for on-base members. FY 2001-2005 funding to achieve this exceeds \$3 billion. Increasing BAH should reduce the demand for on-base housing, which will help DoD eliminate some of its older, high-cost units and make better use of DoD housing funds. This, together with ongoing DoD and private sector efforts, will advance significantly our critical long-term goals -- most notably elimination of inadequate family housing units by 2010.

For health care, the FY 2001 budget continues the Department's commitment to strong funding for the Defense Health Program (DHP). This year also major improvements are proposed, including initiatives to (1) eliminate co-payments for active duty family members enrolled in TRICARE Prime and receiving civilian care; (2) expand TRICARE Prime Remote to active duty family members living far away from military treatment facilities, which will improve their access to care and cut their costs; (3) improve contracting practices to enhance access to care, ease enrollment, and provide a more uniform benefit; and (4) optimize the utilization of military treatment facilities to bolster medical readiness and increase access to such facilities.

Major challenges we still face include:

(1) Recruiting and retention This will demand ongoing attention, especially if the U.S. economy continues to surge. Better pay and quality of life will likely be required, most critically to ensure retention of technical specialists in high demand outside DoD. Moreover, successful competition for quality people could get much more expensive and collide with other pressing defense needs.

(2) Military health care TRICARE continues to provide high quality health care, but we have had shortcomings in its implementation and need to make improvements such as those highlighted above. An enormous challenge will continue to be DoD management of its substantial medical capabilities and beneficiary population. Especially difficult will be how to better address the health care needs of military retirees. The Department is studying a wide range of options, but remedies are likely to be very expensive and in direct funding competition with pressing military requirements.

## **Readiness**

The QDR reinforced readiness as a top DoD priority, and the FY 2001 budget continues the Department's adherence to that conviction.

The QDR concluded that readiness funding must be sufficient to enable U.S. forces to respond to the full range of crises. The FY 2001 budget continues DoD's commitment to that aim by fully funding the Military Services' Operation and Maintenance (O&M) budgets so that their operations, training, and maintenance goals can be met. The budget will ensure that U.S. forces will continue to be fully capable of executing the National Military Strategy and that the readiness of first-to-fight forces will remain high. Funding sustains prudent readiness levels for Army tank miles, Navy steaming days per quarter, and flying hours for all the Military Services.

When adjusted for today's lower troop strengths, O&M funding for the Military Services is well above levels during the 1980s.

The QDR urged that readiness funding be protected from unbudgeted costs such as for unforeseen operations, and the FY 2001 budget should enable us to continue to do that. The request fully funds projected FY 2001 DoD costs for operations in Bosnia, Kosovo, and Southwest Asia. To protect readiness for the rest of this fiscal year, the President is requesting \$2 billion in supplemental appropriations to cover DoD's unbudgeted FY 2000 costs for its Kosovo operations. Prompt congressional approval of this request is critical to readiness.

The QDR recommended better management of force deployments to reduce the toll on units and personnel from the post-Cold War high intensity of operations. Today the Department has essentially completed this management overhaul and is doing much better in handling the ongoing high operations tempo.

Major challenges we still face include:

(1) O&M funding In view of our personnel retention concerns and ambitious modernization agenda, it will continue to be a struggle to keep O&M/readiness funding sufficiently high. Moreover, preventing readiness from being eroded by unbudgeted contingency operations and other requirements could remain as difficult as it has been. We likely will continue to have to add funding for contingency operations on a year-by-year basis.

(2) Force management No relief in operation tempo seems likely, and so wise assignment of our people and units will remain at least as important as funding to good readiness and retention. I especially worry about units such as EA-6B and U-2 squadrons whose unique capabilities keep them in continual high demand for worldwide operations. We must continue to work to relieve this strain by careful management of deployments as well as by expansion of high-demand capabilities where feasible.

### **Modernizing U.S. Weapons and Supporting Systems**

The QDR emphasized the importance of modernizing U.S. weapons and supporting systems. It also specified the capabilities needed in the post-Cold War era and reconfigured DoD modernization programs to achieve those capabilities at an ambitious but sustainable pace. And it called for Procurement funding to increase to \$60 billion per year by FY 2001.

Since the QDR we have made substantial progress in advancing its modernization mandates, and the FY 2001 budget enables us to meet the \$60 billion goal. Procurement budget authority in FY 2001 is fully one-third higher than in FY 1998. The complete funding profile:

	<u>Department of Defense Procurement</u>							
	(Budget Authority \$ in billions)							
	<u>FY 98</u>	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>
FY 01 budget	44.8	50.9	54.2	60.3	63.0	66.7	67.7	70.9

FY 2001-2005 modernization plans include the fielding of new systems and capabilities, cost-effective upgrades to existing systems, highly accurate missiles and munitions, and other

enhancements. Being sought are decisive military capabilities as well as easier maintenance, reduced personnel requirements, and other ancillary benefits. The new budget has sufficient future Procurement and RDT&E funding to modernize U.S. forces at a prudent and sustainable pace.

Highlights of FY 2001-2005 modernization plans include:

Aviation forces Modernization of aviation forces includes DoD's largest acquisition program: the Joint Strike Fighter (JSF). The aim is a family of aircraft, with variants configured to meet several sets of requirements. The JSF will replace the F-16 in the Air Force, F/A-18C in the Navy, and F/A-18C/D and AV-8B for the Marines.

The F-22 will replace the F-15C/D in the air superiority role and have substantial air-to-ground capability as well. It is essential to guaranteeing early U.S. air superiority in future conflicts. No other aircraft promises to do that. F-22 testing is ongoing, and the aircraft continues to meet or exceed design goals for this stage of development. DoD's F-22 acquisition strategy has been modified to reflect congressional action on the FY 2000 budget.

The Navy's F/A-18E/F will provide much greater survivability and payload over earlier F/A-18 models. Production of 42 F/A-18E/F aircraft is planned for FY 2001. For the longer term, the Navy plans to transition from F/A-18E/F procurement to JSF acquisition at a time based on the pace of JSF development.

Land forces FY 2001-2005 plans begin a major transformation of the Army in line with its new warfighting vision. The Army will combine ongoing digitization with accelerated development of new technologies for propulsion, protection, firepower, and logistics. Near term, the budget for FY 2001-2005 includes \$4.5 billion for selection and procurement of a Medium Armored Vehicle (MAV) for redesigned combat units. Some of this funding comes from the termination or restructuring of programs geared to tank-heavy warfare.

Marine Corps modernization features the V-22 tilt-rotor aircraft, the Advanced Amphibious Assault Vehicle, and upgrades of utility and attack helicopters and AV-8B and F/A-18A aircraft.

Naval forces Modernization of naval forces includes procurement of the DDG-51 destroyer, LPD-17 amphibious transport dock ship, T-ADC(X) logistics support ship, and new attack submarine. The FY 2001 budget funds the tenth and final Nimitz-class aircraft carrier (CVN-77) and supports development of the next generation carrier. The budget reflects net savings projected from several smart-ship initiatives aimed at reducing personnel requirements on existing ships.

The transformation of U.S. forces is exemplified by the Navy's new DD-21 destroyer. Its design will emphasize stealth, lower operating costs, and multi-mission use. It is planned to operate with fewer than 100 sailors rather than 300 for today's destroyers. The DD-21's revolutionary electric-drive propulsion system will save space, cut noise, and economically deliver abundant power. Procurement of the DD-21 will begin in FY 2005.

Mobility forces The FY 2001 budget advances the QDR-stressed capability of projecting military power to distant regions. Procurement of 120 C-17 aircraft will be completed by FY 2003, and further purchases are planned after that. The C-5 transport and KC-135 tanker will receive major avionics upgrades and other enhancements. FY 2001 Procurement funds two Air Force C-130J aircraft and two Marine Corps KC-130J tankers.

Major challenges we still face include:

(1) Procurement and RDT&E funding Modernization will require substantial funding increases over many years, and achieving that will likely be even more difficult than our struggle to reach \$60 billion. While the Department has laid a solid foundation for transforming U.S. weapons and supporting systems, many years of expensive investment are still ahead.

(2) Backing the right technologies To modernize as wisely as possible, we must exploit the most promising emerging technologies to our best strategic and tactical advantage. Development and procurement of complex military systems takes many years, but technologies are advancing rapidly; therefore, we need to be especially far-sighted in exploiting those technologies in every military realm -- land, sea, air, and space.

(3) Defining the right capabilities and requirements As detailed below, the reshaping of U.S. forces is well advanced. However, it still will require remarkable insight and tough choices to ensure that we end up procuring the most effective array of capabilities. We cannot afford to fritter away funds on second-best solutions.

### **Reshaping U.S. Forces and Adapting to New Threats and Opportunities**

The QDR called for a fundamental reshaping of U.S. forces to capitalize on the emerging Revolution in Military Affairs (RMA), which emphasizes superior information capabilities and other advanced technologies. To guide the reshaping and to enhance joint and combined operations, the QDR endorsed Joint Vision 2010, a conceptual template for how U.S. forces will fight and achieve dominance across the full spectrum of military operations. At the heart of JV 2010 is the ability to collect, process, and disseminate information to U.S. forces, while denying the enemy the ability to gain and use battle-relevant information. This transformation promises to enable our forces to attack enemy weaknesses directly and with great precision -- and therefore with fewer munitions, less logistics strain, and less collateral damage. It seeks to prepare U.S. forces for an uncertain future, derive maximum military capability from constrained defense resources, and exploit America's human and technological advantages.

The QDR also urged an intensified and imaginative focus on emerging security challenges -- especially asymmetric threats, in which adversaries use unconventional means to offset rather than try to match U.S. military strengths. Today this focus on new threats has been integrated into virtually all DoD plans and programs. A prominent example is the Department's emphasis on threat reduction, especially reducing and preventing the proliferation of nuclear, biological, and chemical (NBC) technologies and their means of delivery. We also are continuing to work toward jointly agreed reductions in strategic nuclear forces.

With approval and execution of its FY 2001 budget, the Department will be well along in transforming the equipment, organization, and operational concepts of U.S. forces as recommended by the QDR. The substantial progress of our military in adapting to post-Cold War threats and opportunities continues to be demonstrated in its superlative performance in

diverse and difficult challenges around the globe, and was vividly evident in last year's Kosovo operation.

Kosovo-related lessons For FY 1999-2005, the FY 2001 budget reflects the addition of \$3.6 billion to previous plans to address lessons learned from last year's Kosovo operations. (This total includes about \$2 billion from FY 1999 supplemental appropriations.) The funding is primarily for munitions and improved ISR (intelligence, surveillance and reconnaissance) and electronic warfare capabilities. It includes funding for an additional squadron of EA-6B electronic warfare aircraft and accelerated acquisition of Global Hawk UAVs. The budget also includes other initiatives that are complementary to Kosovo-specific actions. Most notable are general enhancements for the EA-6B force, more communications upgrades, and continued development of follow-on cruise and standoff missiles such as Tactical Tomahawk and Joint Air to Surface Standoff Missile (JASSM).

Warfighting concepts The Army's recently announced new plans for future warfighting draw attention to the conceptual reshaping that is ongoing in all the Military Services. The aim for all the Services is to make U.S. forces faster, more agile, more versatile, more precise, more lethal, better protected, more rapidly deployable, and more easily sustained once deployed. Progress is being driven substantially by vigorous experimentation to validate needed changes to warfighting concepts or technologies and weapons. To complement Service efforts, the new U.S. Joint Forces Command is bringing new emphasis to ensuring decisive multi-service warfighting in future conflicts.

Ballistic Missile Defense A critical legacy of this 1997-2001 period will be the marshalling of the technology and funding needed to deploy a National Missile Defense (NMD) system to defend all 50 states against a limited ballistic missile attack. Later this year the President will decide whether to deploy such a system based on four criteria: threat, cost, technical feasibility, and overall security implications including arms control. The budget for FY 2001-2005 includes sufficient NMD funding to achieve a 2005 initial capability if deployment is ordered. FY 2001-2005 NMD funding totals \$10.4 billion -- reflecting the addition of \$2.3 billion since last year's request. The budget will allow DoD to upgrade early warning radar facilities, build a radar complex in Alaska, provide 100 ground based interceptors, and fund additional systems testing.

A related legacy is a strong theater air and missile defense program -- aimed at meeting current regional threats. The budget continues to advance the goal of deploying systems that can protect forward-deployed U.S. forces, as well as allies and friends. To defeat shorter-range missiles, key lower-tier programs currently are the Patriot Advanced Capability-3 (PAC-3) and Navy Area Defense systems. Key upper-tier programs are the Theater High Altitude Area Defense (THAAD) and Navy Theater Wide systems. To defeat theater-range missiles during their boost phase, development of the Airborne Laser and Space-Based Laser is continuing.

Reserve Components Reflecting QDR recommendations, the FY 2001 budget continues the reshaping of our military's reserve components to give them greater capabilities for use across a wide spectrum of operations. We also continue to advance the critically important integration of the active and reserve components. And reserve component leaders are much more involved in resource decisions than before the QDR.

DoD continues to advance its plans for Reserve Component support to civil authorities for response to domestic incidents involving weapons of mass destruction (WMD). With congressional approval, the FY 2001 budget will enable the Department to support a total of 27 WMD Civil Support (CS) Teams -- formerly called RAID teams.

Combating chemical-biological threats The FY 2001 budget includes \$836 million (Procurement and RDT&E) to continue to improve protection of DoD forces and activities from adversary or terrorist use of chemical-biological agents. Improvements are being made in agent detection, warning, protection, and medical treatment. These investments are key to DoD's overall program for combating terrorism and new threats.

Information Assurance Reflecting a key QDR recommendation, the Information Assurance program is improving DoD's ability to counter cyber threats and protect its information systems - increasingly critical to the U.S. defense posture. FY 2001 funding (O&M, Procurement, and RDT&E) totals well over \$1 billion. One significant enhancement is for Public Key Infrastructure (PKI), which will ensure that DoD information systems are open only to authorized users and that communications reach only intended recipients.

Major challenges we still face include:

(1) Complexity The complexity of new technologies and of the tasks we require of them -- both these increase the difficulty of our reshaping agenda. Just think about the complexity of targeting and destroying a missile speeding through space; of safeguarding information systems against powerful hacking techniques; and of countering terrorism that can be perpetrated by just one, single-minded individual. Yes, technology is an American advantage, but it still will take hard work to exploit it decisively and cost-effectively.

(2) Warfighting concepts Some critics doubt the Defense Department's ability to embrace all the revolutionary warfighting changes that new technologies might require. My assessment is that we generally are on the right track, but that we must be very receptive to new ideas and not be wedded to comfortable and familiar ways of operating. We must continue to explore and develop the best ways to accomplish critical military tasks.

### **Achieving a 21<sup>st</sup> Century Defense Infrastructure**

The QDR emphasized that a transformed U.S. defense posture requires a transformed DoD infrastructure. The Department has to become leaner and more efficient in order to serve the warfighter faster, better, and cheaper. The QDR also recognized that high priorities like weapons modernization could be fulfilled only with a large influx of infrastructure savings.

My Defense Reform Initiative (DRI) continues to spearhead our comprehensive campaign to streamline and reform DoD support activities. We are systematically working to make DoD business practices as good as those that propel our nation's private sector successes. Processes and systems (e.g., financial management and travel) are being overhauled. Scores of successful private sector practices are being implemented. Competition and reengineering of DoD positions and functions are ensuring that they get performed by the most efficient organization -- public or private. Expanded use of the purchase card is reaping savings and boosting customer service. By the end of this year, the Department will have put into place the most important building blocks of an historic overhaul of how it does business.



Major challenges we still face include:

(1) Complete DRI In the next year I especially am pushing to advance our DRI initiatives so that they either get completed or are so well along that the next Administration will see a high payoff to expeditiously completing the job. I want the next Secretary to be able to build on DRI reforms, not have to repeat our diagnosis and remedies.

(2) Base closure and realignment (BRAC) The post-Cold War transformation of America's defense posture will not be complete until excess military bases and facilities are cut. To that end the FY 2001 budget includes funding to implement two more BRAC rounds, in 2003 and 2005. Once fully implemented these rounds are projected to save about \$3 billion per year. Without congressional approval of new BRAC rounds, scarce defense dollars will continue to be spent on excess infrastructure, rather than on the vital needs of America's armed forces. Every dollar wasted on unnecessary facilities or inefficient processes ultimately diminishes our security.

### **Closing**

In sum, the Department of Defense, the Congress, and the new President will face more tough choices and hard work to complete the needed post-Cold War transformation of America's defense posture. But much is done already, and the FY 2001 defense budget cements into place more key building blocks. Most importantly, we have achieved and can sustain a solid consensus on the importance of preserving our nation's military excellence.