

**Statement of the Honorable Robert F. Hale
Under Secretary of Defense (Comptroller)
House Budget Committee
March 18, 2009**

Thank you Mr. Chairman. I appreciate the opportunity to represent the Department of Defense (DoD) this morning regarding the topline of the President's fiscal year (FY) 2010 budget request.

The Committee's hearing is an important part of the budget process. It helps to ensure that the process is open and transparent. As President Obama has said, "Those of us who manage the public's dollars will be held accountable to spend wisely, reform bad habits, and do our best in the light of day." Accountability and transparency are hallmarks of the President's budgetary policy and are especially important during this period of economic crisis.

President's FY 2010 Budget Request

As announced on February 26, the President's topline budget request to Congress will include \$663.7 billion for DoD in FY 2010.

I recognize that this Committee marks up a figure for the National Defense budget function (Function 050). However, we in DoD do not have visibility at this time into the budgets of the Department of Energy or some of the other agencies that also have funding in the National Defense function. So I will focus on the DoD budget (also known as Subfunction 051) during the remainder of my testimony today.

The \$663.7 billion in the DoD topline includes \$533.7 billion of discretionary budget authority in the base budget that funds ongoing Defense programs. It also includes \$130 billion for overseas contingency operations – that is, the wars in Iraq and Afghanistan.

FY 2010 Base Budget

The \$533.7 billion topline for the base budget reflects an increase of more than \$20 billion or about 4 percent over the \$513.3 billion appropriated by Congress for the FY 2009 Defense base budget. The base budget request represents real growth of approximately 2 percent, which is below the average real growth of about 4 percent during the 2001-2009 period.

Secretary Gates has said that he is pleased with this topline figure, which will enable us to meet our essential defense requirements.

What the Base Budget Will Buy

Armed with this topline figure, we are now engaged in a budget review to craft a detailed FY 2010 Defense budget that best meets the Department's needs. We want this budget review to do more than adjust the FY 2010 Defense program to accommodate the new topline. It also provides DoD's senior leaders with the opportunity to:

- Seek efficiencies within the DoD program;
- Reassess all weapons programs, especially those that have experienced execution problems; and, most importantly,
- Continue reshaping the Defense program to focus more on unconventional warfare, while maintaining a balance of programs that provide conventional capability.

In a few cases, we have already made decisions about the programs that will be included within our base budget for FY 2010:

- The budget supports increases in the size of the Army and Marine Corps to meet warfighting requirements while increasing time spent at home station.
- We will use our funding to ensure strong support of our military people and their families, including improved medical treatment for wounded Service Members.
- Our budget will include a 2.9 percent pay raise for men and women in uniform.
- The budget will provide funds for improvements to facilities and for the implementation of Base Realignment and Closure recommendations.
- The base budget for FY 2010 will also incorporate some budgetary items that were previously funded through emergency supplementals, including certain medical services, family support initiatives, security assistance to foreign governments, and enhancements to ISR (Intelligence, Surveillance, and Reconnaissance) capabilities. Consistent with the President's goal of transparency, we are striving to ensure that the base budget incorporates all permanent programs and those that apply to the entire force.

We also recognize the need to improve business practices, especially those that are related to acquisition. While detailed plans have not yet been formulated, we must find ways to reduce cost growth, minimize scheduling delays, and improve performance in our weapons acquisition process -- while still meeting key warfighter needs. In addition, as the President has said, we need to improve government contracting. Such initiatives are especially important because of the economic crisis that the country is facing.

Tough Choices

Even though there is some real growth in the FY 2010 defense budget request, we know that we must still make a number of tough choices. Choices will be necessary

because shifts from supplemental to base funding will consume funding and because the topline must accommodate some growing programs such as health care.

These difficult decisions have not yet been announced, and so I cannot comment on their status. Secretary Gates has said that he intends to wait until the end of our review process before making any decisions. In his words, “putting together a budget package this large, complex and interrelated requires a coherent and holistic process – a process that would be undermined if decisions about particular programs are made piecemeal or before the assessment is complete.”

We expect that the President will send the detailed DoD budget, along with budgets for the rest of government, to the Congress sometime in April.

In the interest of long-term budget transparency, the President’s budget not only shows figures for FY 2010 but also includes base budget estimates for the next decade. Those figures anticipate zero real growth in the Defense budget. However, we believe that budget decisions beyond FY 2010 should await completion of the Quadrennial Defense Review (QDR) that is just getting underway. After the QDR is completed, it is possible that DoD will propose some adjustments.

FY 2010 Costs for Overseas Contingency Operations

DoD’s highest priority is to provide troops in the field everything they need to be successful, including adequate resources.

The FY 2010 budget request includes a request for \$130 billion of funding for overseas contingency operations – that is, funds for the wars in Afghanistan and Iraq. This funding request will support the drawdown of forces in Iraq, including costs of getting troops home, and the buildup of forces in Afghanistan, including costs to operate in this austere and challenging security environment. The estimate is consistent with the decisions about troop levels recently announced by the President including the drawdown of 35,000 to 50,000 troops in Iraq by August 2010.

This request for war funds includes all the monies we expect to require in FY 2010. Our goal is not to seek additional supplemental funding for FY 2010.

However, there may be significant unforeseen developments or changes in wartime strategy or tactics that cannot be addressed with existing resources. In that case, we would submit a supplemental funding request in FY 2010 to ensure full resource support for our troops.

The use of supplemental funding for Defense operations has grown over time. The President wants to reverse that trend and move more of our predictable costs into the base budget, and we are seeking to make that change in this budget. The transition to narrower and stricter criteria governing what expenses can be counted as a cost of war is

difficult. We inside the Department are experiencing that difficulty now as we build these two budget requests using more stringent rules. As we work toward putting all predictable costs into the base budget, we will need to work with this Committee and others in the Congress to enforce these changed rules.

Consistent with the goal of long-term budget transparency, the President's requested topline projects funding of \$50 billion per year for overseas contingency operations costs beyond FY 2010. These projections do not represent a policy projection based on an exact force structure or operating tempo in those two operations. We cannot predict these key factors with certainty this far in advance. Therefore the figures are placeholders that may change depending on events.

Remaining FY 2009 War Costs

In his February 26 budget overview, the President said he would submit a supplemental budget request of \$75.5 billion to cover remaining war costs for fiscal year 2009.

I want to thank the Congress for providing the much needed "bridge funding" of \$66 billion last year. The troops in the field saw immediate benefit from that funding. The second funding request would provide the remaining funds necessary in FY 2009 for the wars in Iraq and Afghanistan and will likewise benefit the troops in the field.

This funding request is also consistent with the decisions recently announced by the President about the buildup in Afghanistan and the drawdown in Iraq.

Working with OMB, we are preparing the FY 2009 supplemental and hope to submit it soon. In order to avoid funding problems and to maintain continuity of operations for the troops, we hope that Congress will enact this remaining supplemental prior to the Memorial Day recess.

American Recovery and Reinvestment Act (ARRA)

DoD received \$7.4 billion of funds in the ARRA, better known as the Recovery Act. DoD funds include:

- \$4.2 billion for facilities sustainability, restoration, and modernization;
- \$2.2 billion for hospitals, child care centers, and other military construction needs¹;
- \$555 million for housing aid to certain DoD employees who must move;
- \$300 million for research on energy efficiency technologies; and
- \$120 million for the Energy Conservation Investment Program².

¹ This is largely limited to troop (including wounded warrior transition) and family housing.

² This is provided in the MilCon Defense-Wide account, but is being treated as a separate program.

We are grateful for these funds. We hope to spend the money quickly on projects that meet critical DoD needs. We also recognize the President's strong commitment to accountability for these funds. I pledge to the Committee that we are committed to transparency and accountability for the stimulus funds provided to the Department.

Closing

Again, I want to thank the Committee for the opportunity to testify about the Department's topline budget. We are satisfied that the FY 2010 funds and other funds provided to the Department will allow us to meet the essential needs of the troops and their families and to continue efforts to reshape the force for unconventional war while maintaining a balance of conventional capability.

We also pledge that the FY 2010 budget will reflect hard choices that the Department of Defense will make to stay within the President's topline while maximizing our defense capability. Making such choices is especially important during this period of economic crisis.

Along with other DoD leaders, I look forward to working with Members of Congress to explain those hard choices and to gain support for them.

Mr. Chairman, that concludes my opening statement. I welcome the Committee's questions.