

Statement

of

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Deputy Secretary of Defense

before the

U.S. Senate
Budget Committee

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Mr. Chairman, members of the committee, thank you for the opportunity to discuss the President's fiscal year 2011 budget request for the Department of Defense.

On behalf of our Servicemen and women—as well as DoD civilian employees—I would like to thank the committee for your support of the Department's vital missions. Our troops have shown incomparable bravery and compassion in their service in Afghanistan, Iraq, Haiti, and in many other countries around the world.

The budget request for fiscal year 2011 is, in the judgment of Secretary Gates and DoD's senior leadership, what is needed to sustain and rebalance our forces to address the national security threats we face today and anticipate in the future.

This budget continues the reform agenda established by President Obama and Secretary Gates in the FY10 budget. Building on the FY10 initiatives, the 2010 Quadrennial Defense Review (QDR) assessed the threats the U.S. faces in the coming years, established strategic priorities, and identified key areas for investment.

President's FY 2011 Budget Request

The President's topline budget for FY 2011 requests \$708 billion for DoD. This amount includes \$549 billion in discretionary budget authority to fund base defense programs, an increase of more than \$18 billion over the \$531 billion base budget enacted in FY 2010. The increase amounts to 3.4 percent, or 1.8 percent real growth after adjusting for inflation. The FY 2011 request includes an additional \$159 billion to support overseas contingency operations, primarily in Afghanistan and Iraq.

It should be noted that, even with modest real growth, DoD outlays as a share of Gross Domestic Product (GDP) will remain flat at 4.7 percent in FY 2010 and FY 2011. Considering only the base budget, DoD consumes about 3.5 percent of GDP.

Growth in the DoD Budget Topline

As the President stated in his budget message to Congress, "Our future is dependent on maintaining American leadership abroad and ensuring our security at home." The President's budget request for DoD accordingly reflects the administration's commitment to modest, steady, and sustainable growth in defense spending.

In making his budget decisions, President Obama carefully balanced our national security needs with our economic needs, including the deficit. Even as the President imposes a spending freeze on domestic agencies, he has made a strategic choice to continue funding modest growth in the military and in other national security agencies. Real growth is projected at 1.8 percent this year and approximately 1.0 percent when averaged over FY 2010-15.

Modest real growth in the DoD base budget is necessary for several reasons. DoD has some costs that increase with inflation, such as pay and benefits. Other costs

are growing faster than inflation. In particular, military health care expenses are likely to increase by as much as five-to-six percent per year over the next five years, reflecting the rise in overall U.S. health care costs and increasing use of the TRICARE program.

Because the total cost of sustaining the force is growing faster than inflation, DoD needs real growth simply to maintain present force levels. Sustaining our current size and capabilities is essential to prosecute current wars, meet U.S. commitments worldwide, and conduct unanticipated operations, including relief efforts for natural disasters. We cannot afford to make cuts in the size of our force or our operations while we are at war.

DOD must also enhance capabilities for which we have an identified need and prepare for new threats we may face in the future. Building the capacity of partner nations to support U.S. counter-terrorism operations has emerged as a crucial national security priority. The budget therefore includes higher funding under the Section 1206 Train and Equip authority. The budget also increases support to defend our computer networks against cyber attacks, enhance our space capabilities, and deploy advanced missile defense systems.

We urge Congress to support our full defense request in its upcoming budget resolution and in subsequent funding allocations by House and Senate Appropriations Committees. The bottom line is this: We need modest real budget growth to sustain and equip a military at war while also preparing for the future.

Themes and Programs in FY 2011 Budget Request

The base budget for FY 2011 request reflects three overarching institutional priorities.

First, it reaffirms and strengthens the nation's commitment to care for the all-volunteer force, which Secretary Gates has called our greatest strategic asset.

Specifically, the FY 2011 budget includes \$138.5 billion for military pay and allowances, including a 1.4 percent pay raise; \$2.2 billion for enduring programs to support wounded, ill, and injured Service Members; \$50.7 billion for the Unified Medical Budget and the Military Health System that serves 9.5 million beneficiaries; \$8.1 billion for military family support programs; and \$18.7 billion to fund critical military construction and family housing requirements.

Second, the proposed base budget continues the rebalancing of America's defense posture by emphasizing capabilities needed to prevail in current conflicts, while still enhancing capabilities that may be needed in the future.

For the wars we are in, especially the conflict in Afghanistan, the budget provides for more rotary-wing aircraft; the addition of 1,500 new helicopter pilots per year by

2012; increased Intelligence, Surveillance, and Reconnaissance (ISR) support; enhanced Electronic Warfare platforms; and increased funding for Special Operations Forces.

The FY 2011 base budget also allocates \$189 billion to conventional and strategic modernization, including:

- \$10.7 billion for continued development of the F-35 Joint Strike Fighter and procurement of 42 aircraft;
- \$864 million to support development of a new aerial refueling tanker;
- \$25.1 billion for procurement of new ships, equipment, and research and development;
- \$3.2 billion support the restructuring of the Army's Future Combat Systems;
- \$9.9 billion for missile defense;
- Funds to strengthen U.S. capabilities in space and to stand up a new U.S. Cyber Command.

These advanced weapons and capabilities are essential to keep us ahead of our adversaries. We need weapons systems that give U.S. forces an overwhelming advantage in combat, which will both save lives and shorten conflicts

Third, the President's budget will continue the Department's commitment to reform the way DoD does business, especially in the area of acquisition.

To ensure that every defense dollar is spent wisely, the FY 2011 base budget will bolster the capability and size of our acquisition workforce. The eventual creation of 20,000 new positions in the federal acquisition workforce will enhance our ability to oversee programs and generate independent cost estimates, in compliance with Congressional legislation. We ask the Congress to support our in-sourcing initiative to hire new civilian workers in place of contractors, a move that will ultimately reduce costs and operational risks. Our goal is to serve as good stewards of taxpayer dollars as we provide the warfighter with world-class capability.

An important component of acquisition reform is having the discipline to curtail or end unneeded and troubled programs. In last year's budget, Secretary Gates recommended canceling or curtailing programs that, if taken to completion, would have cost the taxpayer \$330 billion dollars. This year he has proposed cutting seven major systems, including:

- The Next Generation Cruiser CG(X)
- The Navy Intelligence Aircraft EP(X)
- The Third Generation Infrared Surveillance system (3GIRS)
- The Net Enabled Command and Control System
- The Defense Integrated Military Human Resources System (DIMHRS)
- The C-17
- An alternate engine for the Joint Strike Fighter.

The C-17 and the JSF alternate engine, as Secretary Gates has already discussed, are two systems in particular that we are opposed to funding further. Three department studies completed over the past five years each confirm the adequacy of our current strategic airlift capacity. The C-17 is an excellent plane. But we already have 194 C-17s and will have procured 223 when the currently authorized procurements are completed. This is in addition to 111 C-5s.

The second JSF engine is similarly a capability that careful review has found to be more costly than the benefits it would provide. We took a fresh look at this issue, considering the \$2.9 billion of additional funding it would take to develop a second engine to take it to competition, the downstream complications of separate maintenance regimes, potential savings achieved through competition, and the development status of the original engine. Our bottom line is that pursuing a second engine would not serve the interests of the taxpayers, our military, our partner nations, or the integrity of the JSF program.

FY 2011 Costs for Overseas Contingency Operations

Besides the base budget, the FY 2011 budget request contains funds to support overseas contingency operations. As Secretary Gates has said repeatedly, DoD's highest priority is to provide troops in the field with everything they need to be successful.

We are asking for \$159.3 billion to fund military operations in Afghanistan and Iraq in FY 2011. Included are funds for:

- Operations (\$89.4 billion),
- Force Protection (\$12 billion),
- IED Defeat (\$3.3 billion),
- Afghan and Iraqi Security Forces (\$13.6 billion),
- Coalition Support (\$2.0 billion),
- Commander's Emergency Response Program (\$1.3 billion), and
- Reconstitution or resetting of equipment (\$21.3 billion).

The budget supports a responsible drawdown of U.S. forces in Iraq and transfer to Iraqi responsibility and control. The budget also supports the growth of forces in Afghanistan, including a supplemental request of \$33.0 billion in FY 2010 to pay for the additional 30,000 troops that President Obama has ordered to be deployed.

Longer Term Prospects

As we conduct a responsible drawdown in Iraq and eventually leave Afghanistan, the Department's war-related costs will decline. Because we cannot accurately forecast wartime costs more than about one year in advance, DoD's long-term budget contains a placeholder of \$50 billion per year for wartime spending from FY 2012 through FY 2015.

Long-term trends in the base budget depend largely on threats to U.S. security and the forces and equipment that must be maintained to counter those threats. If we must maintain current force levels, we can expect the base defense budget to require some continued real growth.

We will continue to search for ways to minimize this growth and to achieve efficiencies in all areas of the defense budget. Health care is one area in particular where the introduction of efficiencies may yield cost savings. If present trends continue, we can expect health care to consume 10 percent of DoD's budget by 2015. We have proposed some health care efficiencies in this budget. Our goal is to work with Congress to continue providing high-quality health care while slowing cost growth.

Closing

Mr. Chairman, in closing I want to thank you and the Committee for the opportunity to testify about the Department's topline budget. Your support of our troops and their families is deeply appreciated. We are confident that the choices and priorities contained in the FY 2011 budget request will provide for the defense of the United States and its people. We are committed to ensuring that our Armed Forces have the tools to prevail in the wars we are presently engaged in, while also making the investments necessary for the future.

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