

Senate Democratic Policy Committee Hearing

“Is the Bush Administration Being Vigilant in Safeguarding American Taxpayer Dollars in Iraq?”

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Chairman Dorgan and other distinguished members of the Democratic Policy Committee, I appreciate the opportunity to appear before you today to discuss wasteful spending practices in the Pentagon. As my fellow panelists and I will argue, fraud, waste and abuse are not limited to the Pentagon’s efforts in the war in Iraq, but are a symptom of a much larger problem throughout the Department of Defense. This issue is vital to our national security interests at home and around the world and I commend you for holding this hearing.

The current standoff between the Bush administration and the Congress over supplemental funding for the wars in Iraq and Afghanistan has prompted some in the Pentagon to warn that the Department of Defense will have to cease certain critical operations, terminate contracts and even send employees home without pay if the funding bill is not passed right now.

The letter signed this week by Representative Moran and seven other members of the House of Representatives from both parties calling on the Pentagon to shift money from other DoD accounts in order to fund its employees has a number of implications. In their letter, the Representatives rightfully call on the Pentagon to utilize all the budgetary flexibility it possesses in order to fund their employees. Beyond funding DoD salaries, the Pentagon also has the ability to transfer money from a number of DoD accounts to finance the wars in Iraq and Afghanistan while the war funding debate continues.

With the passing of the Pentagon's \$459 billion base budget earlier last month, there is no immediate funding crisis. Should the war funding debate drag on, the Pentagon has the authority to transfer funds from a number of other Department of Defense accounts to finance operations in Iraq in the interim; in fact, the Pentagon has already approved this transfer. Shifting these funds would keep the Army and Marines in Iraq fully funded until March.

The war funding impasse gives the Congress an important opportunity to examine what budget flexibility the Pentagon has. It also presents an opportunity to analyze wasteful spending practices in the Department of Defense more generally. Before providing a short list of recommendations, I will put the current supplemental funding request into context with requests from previous years and examine the amount of

flexibility the Pentagon has to reprogram funds from other accounts. This will place these recommendations into the proper context.

Past Supplemental Funding Timelines

Until the 110th Congress, the Bush administration has consistently waited to request supplemental funds for the war in Iraq. Its three requests prior to FY2008 were sent up to the Congress four months into the then-current fiscal year. The administration may claim that Congress has had plenty of time to act on the current supplemental, but the fact of the matter is that the administration did not submit its final request for FY2008 until October 22 – three weeks after the start of the fiscal year. Combined with the late requests of earlier years, it appears that the administration is creating an artificial funding crisis in order to force Congress to act without necessary deliberation.

Table 1: Dates Past Iraq Supplementals Were Requested

FY2008 - February 5, 2007 (original request)
- October 22, 2007 (additional request)
FY2007 - February 5, 2007
FY2006 - February 16, 2006
FY2005 - February 14, 2005

Available Funds

Congress has granted the Defense Department broad authority to transfer funds where it sees fit; these funds could be redirected to fund the war in Iraq. In Title VIII, Section 8005 of the FY2008 Defense Appropriations Act, Congress authorized the Secretary of Defense to transfer \$3.7 billion for military functions but not military construction. A further \$3.5 billion are available for transfer from the last supplemental from back in May. A total of \$7.2 billion in reprogrammable funds is available to DoD. However, this total would amount to less than a month's funding for the war.

According to recent testimony by Amy Belasco of the Congressional Research Service, the Defense Department has a further \$40 billion to \$45 billion in unobligated funds from earlier war-related supplementals. This total would fund roughly four months of fighting in Iraq.

In addition, the Defense Department can take funds from its baseline budget, which has already been appropriated by Congress. As a result, the Army and Marine Corps have just over \$32 billion with which to fund combat operations in Iraq. This "cash-flowing" would allow just over three months of operations in Iraq, and would have to be reimbursed with a later supplemental.

Table 2: Operations and Maintenance, FY2008

Army: \$27,361,574,000
Navy: \$33,087,650,000
Marines: \$4,792,211,000
Air Force: \$32,176,162,000
Defense-wide: \$22,693,617,000
Active Army and Marine Combined O&M: \$32,153,785,000
Total Active O&M: \$120,381,214,000

Army Reserve: \$2,510,022,000
Navy Reserve: \$1,148,083,000
Marine Reserve: \$208,637,000
Air Force Reserve: \$2,815,417,000
National Guard: \$5,764,858,000
Air National Guard: \$5,468,710,000
Army and Marine Reserve Combined O&M: \$8,483,517,000
Total Reserve O&M: \$17,915,727,000

Total Army Active and Reserve O&M: \$35,636,454,000
Total Marine Active and Reserve O&M: \$5,000,848,000
Total Combined Army and Marine O&M, Active and Reserve: \$40,637,302,000
Total O&M, Active and Reserve: \$138,296,941,000

Combined together, the Defense Department could conceivably fund the war until early spring of next year.

Wasteful Spending in Iraq

Waste, fraud, and abuse have become the hallmark of contracting in Iraq. Out of \$57 billion worth of contracts, the Defense Contract Audit Agency reported that more than \$10 billion is either questionable or unsupported - \$2.7 billion of which was attributed to Halliburton. As of late August 2007, there were 73 separate criminal investigations into contracts worth more than \$5 billion. Abuse has become endemic. For example, Parsons Global Inc. was charged with building 140 primary health care centers throughout Iraq, but only completed six after two years and half a billion dollars spent. Parsons was also paid \$62 million to build the Iraqi Police College, but the barracks failed to include proper plumbing, causing sewage to leak through the floors – a building that has not yet been repaired, according to the House Oversight and Government Reform Committee. Construction of the \$600 million Baghdad embassy has been plagued with safety and construction problems, and contractor First Kuwaiti has been accused of severe labor abuses and human trafficking.

Recommendations

Eliminate unnecessary spending

Former Secretary of Defense Rumsfeld estimated that more than \$20 billion a year could be saved by fixing procurement and business operations. Moreover, the Government Accountability Office and the Congressional Budget Office estimate that consolidating various activities could save \$1 billion a year. Senator John McCain estimates that there are several billion dollars worth of earmarks (pork) in the annual defense budget.

Control cost growth in weapons systems.

According to a March 2007 GAO report, the 27 of the Pentagon's most critical weapons programs – including the F-35 Joint Strike Fighter, V-22 Osprey, CVN-21 aircraft carrier, and the Future Combat Systems – have suffered very large cost overruns from their initial estimates. Combined, their total cost has risen \$96.1 billion or 19.1% above their initial cost estimates; research, development, testing, and evaluation costs have risen by more than a third, or \$35 billion. The increase in overall program costs has led to an increase in unit costs: the F-35 now costs 32.8% more per plane than its initial estimate, the Future Combat System 54.1%, and the V-22 just over 170% more.

Disaggregate funding for Afghanistan from funding for Iraq.

The Bush administration demands that Congress appropriate war funding for Iraq and Afghanistan collectively - as if they were the same war. It is imperative, however, that lawmakers keep in mind that Afghanistan is not Iraq. To ensure that our troops fighting in the real central front in the war on terror are properly funded and equipped, members of Congress should move to separate funding for the two wars and approve the full supplemental budget request for Afghanistan as soon as possible. Once funding for Afghanistan has been dealt with, Congress can go through the lengthy debate regarding funding for the war in Iraq while keeping both the Army and Marines in Iraq funded until April.

Create a unified national security budget.

A unified national security budget would pull together in one place U.S. spending on all of its security tools: tools of offense (military forces), defense (homeland security) and prevention (non-military international engagement.) This tool would make it easier for Congress to consider overall security spending priorities and the best allocation of them. Our country needs a rebalanced its security budget, one that strengthens a different kind of overall U.S. presence in the world. This budget would emphasize working with international partners to resolve conflicts and tackle looming human security problems like climate change; preventing the spread of nuclear materials by means other than regime change; and addressing the root causes of terrorism, while protecting the homeland against it.

Eliminate weapons systems from a bygone era.

While it is too late make changes in this years' base budget, America can save as much as \$60 billion over the next five years mostly by eliminating weapons systems designed to

deal with threats from a bygone era – weapons and programs that are not useful in defending our country from extremists or the other threats we now face. These cuts would come from weapons systems like the DDG-1000 destroyer, a reduction in our strategic nuclear arsenal, and a scaling back of National Missile Defense.