

**STATEMENT OF SECRETARY OF DEFENSE ROBERT M. GATES
SENATE APPROPRIATIONS COMMITTEE - DEFENSE
TUESDAY, MAY 20, 2008**

Mr. Chairman, members of the Committee:

Thank you for your continued support of our military these many years. I appreciate the opportunity to discuss the President's Fiscal Year 2009 Defense Budget request.

Before getting into the components of this request, I thought it useful to consider it in light of the current strategic landscape – a landscape still being shaped by forces unleashed by the end of the Cold War nearly two decades ago. In recent years old hatreds and conflicts have combined with new threats and forces of instability – challenges made more dangerous and prolific by modern technology. Among them:

- Terrorism, extremism, and violent jihadism;
- Ethnic, tribal, and sectarian conflict;
- Proliferation of dangerous weapons and materials;
- Failed and failing states;
- Nations discontented with their role in the international order; and
- Rising and resurgent powers whose future paths are uncertain.

In light of this strategic environment, we must make the choices and investments necessary to protect the security, prosperity, and freedom of the American people.

The investment being presented today in the defense base budget is \$515.4 billion, or about 3.4 percent of our Gross Domestic Product. This request is a 7.5 percent increase – or \$35.9 billion – over last year's enacted level. When accounting for inflation, this translates into a real increase of about five and a half percent.

I also strongly support Secretary Rice's request for the international affairs funding. This request is vital to the Department of Defense; in the current strategic landscape, we need civilian expertise and robust engagement around the world to build goodwill, represent United States values and commitment to our partners, complement the contributions of our military, and set the long-term conditions for peace, prosperity, and an environment inhospitable to extremism.

Strategic Modernization – Future Combat Capabilities

The FY 2009 budget request provides \$183.8 billion in strategic modernization to meet future threats, a 4.7 percent increase over the previously enacted level. This category includes more than \$104 billion for procurement.

Joint Combat Capabilities

The base budget provides \$9.2 billion for ground capabilities, including more than 5,000 Humvees and 4,000 tactical vehicles. This request provides \$3.6 billion to continue development of the Future Combat System, the Army's major modernization program, a portion of which I saw first-hand at Fort Bliss, Texas about two and a half weeks ago. I was impressed by what I saw.

A total of \$16.9 billion is allotted for maritime capabilities, with \$14.2 billion for ship-building, including:

- The DDG-1000, the next generation surface combatant;

- Two littoral combat ships;
- Two joint high speed vessels;
- Two logistics ships; and
- One Virginia-class submarine.

The ships being built today must provide the capability and capacity to maintain the Navy's global presence and influence in the future. A fleet sized at 313 ships offers the agility required to meet a broadening array of operations and requirements with allies around the globe.

To improve air capabilities, the budget includes \$45.6 billion, a \$4.9 billion increase over last year's enacted levels.

This includes funding for:

- F/A 18 Hornet and E/A-18G Growler fighters;
- F-35 Joint Strike Fighters;
- F-22 Raptors;
- V-22 Ospreys;
- Unmanned Aerial Vehicles; and
- Recapitalization of various missiles and other weapons.

The Air Force's number one acquisition and recapitalization priority is the tanker fleet, specifically the KC-135, which is an average of 48.5 years old. This aircraft is increasingly expensive to maintain and less reliable to fly every day. The Department believes a KC-135 replacement fleet of between 460-580 aircraft, combined with an additional 59 KC-10s will provide suitable aerial refueling capacity.

Retirement of aging aircraft is a vital component of recapitalizing our air assets. I urge Congress to continue to authorize aircraft retirements, lifting restrictions from previous years to help the Air Force maintain readiness and perform missions more safely.

Space

This request provides \$10.7 billion to strengthen joint space-based capabilities in several categories, including:

- Space-based infrared systems; and
- Communications, environmental, Global Positioning System, and Advanced Extremely High Frequency satellites.

The Department's heavy reliance on space capabilities is clear to potential adversaries, some of whom are developing anti-satellite weapons. Protecting our assets in space is, therefore, a high priority. In the past, the Department has been slow to address this vulnerability, but we are ramping up to properly address this problem.

Research and Development

As changes in this century's threat environment create strategic challenges – irregular warfare, weapons of mass destruction, disruptive technologies – this request places greater emphasis on basic research, which in recent years has not kept pace with other parts of the budget.

This request for \$11.5 billion will sustain ongoing science and technology research. Within this category, the FY 2009 budget includes \$1.7 billion for basic research initiatives. In total, I have directed an increase of about \$1 billion over the next five years for fundamental, peer-reviewed basic research – a two percent increase in real annual growth.

Missile Defense

The 2009 base budget provides \$10.4 billion to continue developing, testing, and fielding a multi-layered system to protect the U.S. and its allies from tactical and strategic ballistic missile attack.

The Missile Defense Agency has successfully fielded elements of the ballistic missile defense system since 2004. Today, for the first time in history, our nation has an initial missile defense capability. In coming years, the Department seeks to grow this capability by testing against more complex and realistic scenarios, and by negotiating with like-minded nations. Since becoming the Secretary of Defense, I have been personally involved in on-going discussions with Poland and the Czech Republic on hosting U.S. missile defense assets. I will continue to press for increased cooperation with our partners.

Readiness, Operations and Support

The FY 2009 request provides \$158.3 billion, a 10.4 percent increase over last year's enacted level, for operations and training, as well as facilities and base support. \$68 billion of the request will maintain combat readiness, focused on next-to-deploy units. The budget invests in readiness measured in terms of tank miles driven per month, ship steaming days underway per quarter, and flying hours per month. Additionally, this request includes:

- \$33.1 billion for logistical, intelligence, and service-wide support;
- \$32.6 billion for facility and base support;
- \$11.8 billion for equipment maintenance to accommodate increased requirements, expanded scopes of work for repair and refurbishment of equipment, and the transition of systems from development to sustainment in the field;
- \$10.7 billion for training, recruiting, and retention to ensure that the all-volunteer force has the right people with the right skills; and
- \$2.2 billion for sealift efforts and commissary support.

The Department will continue investing in a number of critical initiatives that will have long-term implications for the readiness of our forces and the nation's ability to meet future threats.

Global Train and Equip

The global train and equip authority provides commanders a means to fill longstanding gaps in our ability to build the capacity and capabilities of partner nations. It allows the State and Defense Departments to act in months, rather than years, to help other countries build and sustain capable security forces. The program focuses on places where we are not at war, but where there are emerging threats and opportunities. It creates the opportunity to reduce stress on U.S. forces by decreasing the likelihood that troops will be used in the future. Combatant Commanders consider this a vital tool in the war on terror beyond Afghanistan and Iraq. It has become a model of interagency cooperation between State and Defense – both in the field and in Washington, D.C. Secretary Rice and I both fully support this authority. We discussed its importance to long-term national security during joint testimony before the House Armed Services Committee on April 15th, and noted that its benefits would accrue to our successors in future administrations. The FY 2009 base budget requests \$500 million, along with a request for \$750 million in authority. I urge Congress to provide this funding and permanent authority to meet enduring requirements.

Security and Stabilization Assistance

The FY 2009 budget invests \$200 million in security and stabilization assistance along with a corresponding request to increase the authority. This authority will allow the Department to transfer up to \$200 million to the State Department to facilitate whole-of-government responses to stability and security missions – bringing civilian expertise to bear alongside our military. This would give Secretary Rice additional resources to address security challenges and defuse potential crises that might otherwise require the U.S. military to intervene.

Africa Command

This request includes \$389 million, or \$246 million above previously enacted funds, to launch the new Africa Command, allowing the Department to have a more integrated approach than the existing arrangement dividing the continent up among three different regional commands. This new command will help:

- Strengthen U.S. security cooperation with African countries;
- Train and equip our partners;
- Improve health, education, and economic development; and
- Promote peace and stability.

Foreign Languages

The FY 2009 budget includes \$586 million for the Defense Language Program, a \$52.3 million increase from last year. Thus far, our approach to improving language skills is having an impact. Proficiency in Arabic has increased 82 percent since September 2001. Although the value of foreign languages and cultural proficiency is recognized by our Special Forces, these capabilities are essential for all forces preparing for irregular warfare, training and advising missions, humanitarian efforts, and security and stabilization operations.

Quality of Life

The FY 2009 request includes \$149.4 billion in military pay, health care, housing, and quality of life for service personnel, Department employees, and their families.

The request provides for \$107.8 billion in pay and benefits, an increase of 9.8 percent over the FY 2008 enacted level. This translates into pay raises of 3.4 percent for the military and 2.9 percent for civilian employees. Since 2001, basic military pay has increased by an average of 37 percent. For example, in FY 2009, the average enlisted E-6 (Army Staff Sergeant) will see a pay increase of \$1,289. The pay of the average O-3 (Army Captain or Navy Lieutenant) increases by \$1,943 in FY 2009.

Family Housing

The budget request includes \$3.2 billion that will construct new family housing, improve existing housing, eliminate inadequate housing overseas, operate and maintain government-owned housing, and fund the privatization of 12,324 additional homes. The Basic Allowance for Housing increases by 5.0 percent and the Basic Allowance for Subsistence increases by 3.8 percent.

Wounded Warriors

We have a moral obligation to see that the superb life-saving care that the wounded receive initially is matched by quality out-patient treatment. To provide world-class health care

to all who are wounded, ill, or injured serving the nation, the Department is taking action on the recommendations made by the President's Commission on Care for America's Returning Wounded Warriors. To do so, we have formed a senior oversight committee – chaired by the Deputy Secretaries of Defense and Veterans Affairs – to examine several key areas:

- Case Management – integrate care management throughout the life of the wounded, ill, or injured service member to ensure they receive, as the President made clear, the “right care and benefits at the right time in the right place from the right person”;
- Disability and Compensation Systems – streamline the disability evaluation system making it a single, supportive, and transparent process;
- DoD and VA Data Sharing – ensure appropriate information is accessible and understandable between departments; and
- Traumatic Brain Injury (TBI)/Psychological Health Issues – improve access and quality of care by reducing the stigma associated with mental health care and establishing new programs, such as a TBI registry.

Over the past eight months, we have made a concerted effort to ensure that counseling for post-traumatic stress does not adversely impact a Service member's security clearance. On May 1st, we changed the question on the government application for security clearance so that, as a general matter, it excludes counseling related to service in combat – post-traumatic stress in particular. We hope this will encourage more men and women in uniform to seek help.

In addition, the Department has also approved new standards for all facilities housing the wounded. We have already inspected nearly 500 buildings against these new standards to ensure our people have a place to heal that is clean and decent.

The budget requests \$466 million to accelerate and enhance construction of health care facilities at Bethesda and Fort Belvoir, as well as establishing more Warrior Transition Units. To date, the Army has created 35 new Warrior Transition Units, which have helped 10,000 injured soldiers either return to their units or transition to veteran status. I have visited several Warrior Transition Units, and I hope Congress will fund these extra-ordinary facilities, along with our other health care requests. America's all-volunteer force must know that we will do everything possible to care for and heal the men and women injured in the line of duty.

Future Health Care Issues

In FY 2009, DoD military healthcare costs are projected to be \$42.8 billion in order to maintain benefits for 9.2 million eligible military members and their families, as well as retirees – more than double the level in 2001. By 2015, the Department's health care costs are projected to reach \$64 billion, or 11.3 percent of the budget.

Because of these concerns, the Department is also seeking legislation to align out-of-pocket health care expenses for retirees under age 65 with general health insurance plans. The Department continues to believe that modest increases to TRICARE out-of-pocket costs for working-age military retirees are essential to make military health benefits affordable and sustainable for current and future retired service members.

Global Posture

The base budget requests \$9.5 billion to continue U.S. Base Realignment and Closure (BRAC) efforts. For the approved FY 2005 BRAC recommendations, the budget fully funds 24 major realignments, 25 base closures, and 765 lesser actions. The Department is continuing to reposition U.S. forces at home and abroad in keeping with post-Cold War realities.

Consequently, several units stationed overseas will be brought home. Accommodations for them are underway. For example, there is a tremendous amount of construction at Fort Bliss, which will receive an additional 30,000 soldiers and some-40,000 family members. The commander of European Command has requested that the Army activate two heavy brigade combat teams in Germany in 2008 and 2010 to support near-term security needs and allow time for construction in the United States.

Increase Ground Forces

Increasing the size of the Army and Marine Corps will relieve stress on the force and enable the nation to meet its commitments at home and abroad. This growth in end strength is a continuation of growth that began last year and is expected to continue through FY 2013.

U.S. Army

The FY 2009 base budget provides \$15.5 billion to continue to grow the Army. These funds will pay for, 7,000 additional soldiers, enabling us to reach the goal of 532,400-person army in the next fiscal year. Approximately \$7 billion of this amount will be applied to the cumulative cost for recruiting, training, and paying the force, and \$8.5 billion will be applied to equipment, infrastructure, and military construction. The Army request includes the cumulative cost of personnel added as part of a temporary increase in end strength after September 11, 2001 – an increase which had previously been paid for in supplemental appropriations.

I am concerned that the percentage of new Army recruits with high school diplomas has declined in recent years, and that the number of waivers has increased. While still within the minimum standards established by Congress, we are watching these numbers closely, and are determined to grow the Army in a way that does not sacrifice the quality we have come to expect in the all-volunteer force.

U.S. Marine Corps

The base budget seeks \$5 billion to grow the Marine Corps' end strength to 194,000 in FY 09. As with the Army, the Marine Corps' request includes the cumulative cost of personnel added after September 11, 2001. The Marine Corps' plans to increase end strength to 202,000, and they are on track to achieve this goal by the end of FY2009 – two years earlier than planned. Such growth will enable the Corps to build three Marine Expeditionary Force units and to increase time at home station between deployments. Thus the Marines will continue to be, as it has been historically, a “two-fisted” expeditionary force that excels at conventional warfare and counter-insurgency.

War Funding

In addition to the \$515.4 billion base budget, the Fiscal Year 2009 request also includes \$70 billion in emergency bridge funding. There is, however, a more immediate concern: Congress has yet to pass the pending \$102.5 billion Global War on Terrorism request for Fiscal Year 2008 and, as a result, the Defense Department is currently using fourth quarter funds from the base budget to cover current war costs. Shortly, two critical accounts will run dry:

- First, Army military personnel account. After June 15th, we will run out of funds in this account to pay Soldiers – including those currently serving in Afghanistan and Iraq; and

- Second, Operations and Maintenance account. Around July 5th, O&M funds across the Services will run out, starting with the Army. This may result in civilian furloughs, limits on training, and curbing family support activities.

If war funds are not available, the Defense Department can transfer funds from Navy and Air Force military personnel accounts to pay soldiers, but that would get us only to late July. Using the limited Transfer Authority granted by Congress would also help us get to late July. Doing so, however, is a shell game – a temporary one at that – which will disrupt existing programs and push the Services O&M accounts to the edge of fiscal viability.

Beyond the Army personnel account and O&M account, other programs will be adversely impacted if the pending FY 2008 supplemental is not passed soon. Among them, critically, is the Commander's Emergency Response Program (CERP) which, as you may recall, I mentioned during my testimony to you last May. It is the single most effective program to enable commanders to address local populations' needs and get potential insurgents in Iraq and Afghanistan off the streets and into jobs. Congress has provided \$0.5 billion of our total CERP request of \$1.7 billion. Without the balance of \$1.2 billion, this vital program will come to a standstill – the Department does not have the authority to extend funding beyond the \$977 million in authority provided in the FY 2008 NDAA.

While I understand that you may pass the FY 2008 war funding bill before the Memorial Day recess, I am obligated to plan for the possibility that this may not occur. As I mentioned in a recent letter to Senator Byrd and Senator Cochran, as well as other Congressional leaders, I will keep you informed of these plans in an effort to ensure transparency and minimize possible misunderstandings.

To that end, if the war funding bill is not passed by Memorial Day, the Defense Department will submit reprogramming requests to Congress for their approval on May 27th to prevent the depletion of the Army Military Personnel Account and the Army Operations and Maintenance account. On June 9th, the Deputy Secretary of Defense will issue guidance on furlough planning and Service Secretaries will issue guidance to their commands and workforce.

Delaying the supplemental makes it difficult to manage this Department in a way that is fiscally sound and prudent. To illustrate this point, I have compared the Department of Defense to the world's biggest supertanker. It cannot turn on a dime and cannot be steered like a skiff – and, I would add, it cannot operate without paying its people.

I urge approval of the FY 2008 war funds as quickly as possible.

Conclusion

At this, my second and also last opportunity to present a budget before this committee, I thank the members of this Committee for all you have done to support our troops as well as their families. In visits to the combat theaters, in military hospitals, and in bases and posts at home and around the world, I continue to be amazed by their decency, resiliency, and courage. Through the support of the Congress and our nation, these young men and women will prevail in the current conflicts and be prepared to confront the threats that they, their children, and our nation may face in the future.

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