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HOUSE COMMITTEE ON ARMED SERVICES

U.S. House of Representatives

Washington, DC 20515-6035

ONE HUNDRED TENTH CONGRESS

March 13, 2009

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ERIN C. CONATON, STAFF DIRECTOR

The Honorable John Spratt
 Chairman, Committee on the Budget
 U.S. House of Representatives
 Washington, D.C. 20515

Dear Mr. Chairman:

In accordance with the applicable provisions of the Budget Act of 1974 and House Rule X, clause 4(f) of the Rules of the House of Representatives, we are forwarding to you our views regarding the national defense budget function for Fiscal Year 2010.

On February 26, 2009, the President submitted to the Congress an outline of the FY 2010 budget request. The budget outline focuses on policies and programs designed primarily to deal with an economic crisis not seen in this country since the Great Depression. While many of the proposed policies and programs are beyond our purview, the committee notes that our national security depends in large part on economic prosperity both at home and abroad, and it is imperative that we get our economy back on track. It is also imperative that we maintain a strong national defense. We must do both.

The President's FY 2010 budget outline requests \$533.7 billion for the Department of Defense's base budget. In discussing the request, Secretary Gates observed that the Department's base budget top-line is "more than \$20 billion over last year's Defense appropriation [and] in our country's current economic circumstances ... represents a strong commitment to our security." He further observed that having settled on a top-line, the Department is in the process of determining the details, to include "efforts to realize cost efficiencies, reassess all weapons programs, especially those with serious execution issues, and rebalance investments between current and future capabilities." The President's budget outline also requests \$75.5 billion in supplemental funding for 2009 and \$130.0 billion for 2010 to support the ongoing wars in Iraq and Afghanistan.

The committee looks forward to reviewing all the programmatic details when they become available. In the absence of these details but in review of this preliminary submission, the committee believes the budget request is the minimum necessary to support both our core national security requirements and on-going military operations. The committee supports war

The Honorable John Spratt
March 13, 2009
Page 2

time supplemental funding that provides the resources necessary for American servicemembers fighting in Iraq and Afghanistan. The committee notes plans for the President's budget to incorporate into the base budget many items previously funded in emergency supplementals, such as medical services, family support initiatives, security assistance to foreign governments, and enhancements to intelligence, surveillance, and reconnaissance. The committee supports efforts to fold foreseeable war-time costs into the baseline budget, but urges a recognition that these war costs are in addition to core national security requirements that reside in the base budget. The budget outline suggests a balance between ensuring our forces have what they need to protect this nation and a commitment both to fiscal responsibility in challenging economic times and to weeding out waste wherever possible.

Within this funding request, the committee wishes to highlight several concerns.

Personnel

For a decade now, the Congress has provided an additional pay raise, on average 0.5 percent above the level of private sector pay raises as measured by the Employment Cost Index (ECI). Now more than ever, as we ask those who wear the uniform of this country to defend the freedoms that all Americans enjoy, we must continue to eliminate the gap between the military and private sector pay raise levels. This year, an additional pay increase of 0.5 percent would bring the across-the-board pay raise for fiscal year 2010 to 3.4 percent at a cost of \$340 million in fiscal year 2010. The allocation of this amount will allow the committee to continue to reduce the pay gap in a systematic and structured way.

The committee believes that the amended budget request will again assume over \$1 billion in savings within the health care budget, based on recommendations from a previous Department of Defense Task Force which focused on the future of military health care. The Department's savings are generated from increases in enrollment and deductibles within the TRICARE health program, including the pharmaceutical program. For the past three fiscal years, the Congress has prohibited the proposed fee increases from being implemented, due to concerns that such significant fee increases would adversely affect many military families and recently retired personnel, including those significantly wounded. However, forcing the military health care system to absorb the projected savings without a fee increase was just not an acceptable option as it could result in military treatment facilities within the direct care system being forced to close while men and women in uniform are on the front lines and their families are sacrificing here at home. The committee will need additional discretionary and mandatory spending to prohibit the fee increases that we expect will be proposed by the Department of Defense.

Mandatory Funding

Last year, the committee began an effort to address the growing health care costs and its impact on the Department through the establishment of several preventive health care programs that seek to improve the health of our beneficiary population and, hopefully, to reduce long-term

The Honorable John Spratt
March 13, 2009
Page 3

catastrophic health care costs. Unfortunately, the committee was unable to generate any budgetary savings because of the scoring analysis from the Congressional Budget Office. This year, the committee finds itself in an untenable position. The Congressional Budget Office has indicated that continued prohibition of pharmacy benefit fee increases will generate mandatory scoring that the committee will be unable to fulfill without significantly reducing the military retirement benefit or the health care benefits for beneficiaries under the TRICARE for Life program. However, even if the committee were to consider a moderate fee increase, we may potentially be required to find mandatory offsets because, as the Congressional Budget Office has indicated, "federal tax revenues would decrease somewhat ... which would yield a shift in compensation from taxable wages to non-taxable fringe benefits." Thus, the committee will need the support and assistance of the Budget Committee to ensure that we are able to move forward this year to address health care costs in a prudent and responsible manner that will protect our beneficiaries and allow the Department to continue to provide quality health care services to our service members, retirees and their families.

The committee is pleased with the President's concurrent receipt proposal for our disabled retirees. The committee looks forward to working with the Budget Committee to ensure that the appropriate mandatory funding is provided to the 050 budget to ensure that this legislative proposal can be successfully initiated. The committee continued its efforts over the past several years to adopt program changes that have benefited service members, their families and survivors. Last year, we were fortunate to find additional direct spending within our allocation to move forward incrementally on a number of very important programs, to include expanding the eligibility for special survivor indemnity allowance to spouses whose member died on active duty and enhancing retirement programs for certain reserve and warrant officers, as well as certain military technicians. However, as always, there is more that needs to be done. For example, improving education programs for those serving in the Selected Reserve, eliminating the offset for survivors who are entitled to both Survivor Benefit Program, and Dependent and Indemnity Compensation, and improving reserve component retirement and health care, remain committee objectives. These are just a few of the programs that cannot be addressed because they require additional mandatory spending that is not available to the committee.

In order to move forward in a systematic way to address these many important programs, the committee again respectfully requests an increase to the Armed Services Committee's allocation for mandatory spending so that we can begin to fully resolve these matters, implement the President's concurrent receipt proposal and continue to protect our beneficiaries from exorbitant health care fees.

Readiness

With respect to readiness, the committee notes that continuous combat operations over the past seven and one-half years, with repeated deployments and limited dwell times, have stretched our forces and consumed readiness just as quickly as it is obtained. As we wind down the war in Iraq and ramp up our efforts in Afghanistan, the Department faces huge reset costs

The Honorable John Spratt
March 13, 2009
Page 4

associated with moving troops and materiel, repairing and replacing worn out equipment, and re-orienting our training programs so to assure that our troops can function in a full-spectrum environment. The committee believes it is critical to the nation's security that our readiness levels be improved and that sufficient investments be made to ensure this.

Acquisition Programs

Very little is known regarding the priorities of the new Administration and, with a pending Quadrennial Defense Review, an updated National Military Strategy, and a Nuclear Posture Review, it is difficult to know what is the proper funding level for acquisition programs.

With respect to the Army, we expect a major restructuring of the Future Combat Systems program and major costs associated with resetting the force returning from Iraq. With respect to the Air Force, the committee has major concerns with the F-22 and C-17 programs, among others. The committee notes that in the recent past, all of the military services have asserted that the National Military Strategy creates requirements for some systems, such as the Air Force's F-22 and C-17, that not only have not been adequately funded but have not been funded at all, having been deferred to the new Administration. Recent base budget requests have not adequately funded programs of record and deferred making decisions on important questions. The committee will need to examine carefully these investment priorities in light of the Administration's strategy and enduring national security interests. The Air Force's first acquisition priority -- recapitalization of its airborne tanker fleet -- has yet to be initiated because of failure in the service's acquisition system. To ultimately get this program on contract may require significantly increased funding over the anticipated budget request in order to support a competitive engineering and manufacturing development program.

With respect to ballistic missile defense programs, the committee believes it is important that we prioritize near-term systems and capabilities designed to protect the United States, its deployed forces, and friends and allies consistent with the committee's position captured in section 223 of the John Warner National Defense Authorization Act for Fiscal Year 2007. Similarly, as the Department of Defense continues to emphasize a greater focus on nuclear weapons and materials security and accountability, the nation is also moving toward a new nuclear posture, built on a reduced nuclear arsenal that is safe, secure, and reliable. In this environment, the committee believes the budget must include robust funding for the science-based Stockpile Stewardship Program, including sustained human capital and a refurbished infrastructure.

With respect to the Navy, the committee expects significant changes to the Navy's 30-year shipbuilding plan. The program of record for ship acquisition is unaffordable and the force mix of vessels proposed is being revised to counter emerging threats. The Navy must also address a projected shortage in strike fighter aircraft into the middle of the next decade. Finally, the committee has concerns regarding the increased developmental costs for the Marine Corps Expeditionary Fighting Vehicle, which resulted in a Nunn-McCurdy cost breach. A similar breach has been experienced by the VH-71 Presidential Helicopter program. As part of the

The Honorable John Spratt
March 13, 2009
Page 5

Nunn-McCurdy process, the White House will be required to re-validate the requirements for this platform, which could result in additional technical, cost, and schedule changes.

The committee understands that the Department of Defense is currently trying to make the best decisions on these important programs and will closely review them when it receives the detailed budget request.

Waste, Fraud, Abuse, and Improving Governmental Performance

The committee recognizes the requirement pursuant to section 321 of the FY 2009 budget resolution that requires recommendations for rooting out waste, fraud, and abuse, and improving governmental performance. The committee notes that during 2008 it held numerous oversight hearings focused on identifying areas vulnerable to waste, fraud, abuse and mismanagement.

Where appropriate, the committee develops legislation to improve government performance. Every year, the committee makes adjustments in authorization levels for specific procurement and research and development programs to ensure the Administration's budget request is stripped of wasteful spending. In addition, the committee has annually enacted legislation to improve defense contracting. For example, the National Defense Authorization Act for 2009 included the "Clean Contracting Act of 2008." The Clean Contracting Act of 2008, among other provisions, extended the authority previously granted to the Department of Defense in 2007 to obtain additional pricing information on commercial services contracts to all federal agencies, placed limits on the length of sole-source contracts entered into on the basis of urgent and compelling need, extended a limitation on the issuance of sole-source task and delivery order contracts that previously applied to the Department of Defense to all federal agencies, required a review of the application of the cost accounting standards to overseas contracts, and established a database for federal contracting officers containing information on the legal history and the performance of contractors relevant to evaluating past performance prior to issuing new contracts. The committee will continue its efforts to develop recommendations for improving government performance and, where appropriate, will develop legislation. The committee is also establishing a Panel on Defense Acquisition Reform to comprehensively identify the root causes of acquisition failures and recommend further changes to improve acquisition processes. The committee expects that such efforts, when properly implemented, will reduce wasteful spending by the agencies within its jurisdiction.

Finally, the committee wishes to note that our national security depends not only on a strong military but also on robust diplomatic capabilities and foreign assistance programs. The U.S. international affairs budget and programs in the Department of Energy's National Nuclear Security Administration support programs that can potentially prevent crises requiring the deployment of U.S. troops, and, in the event of their deployment, can reduce the stress on U.S. troops. While the budget submitted on February 26 does not include detailed information necessary to permit a committee evaluation, it does call for increased funding for foreign assistance, expanded diplomatic and development operations, and reinvigorated efforts on counter-proliferation, terrorism and transnational crime. The committee recognizes the

The Honorable John Spratt
March 13, 2009
Page 6

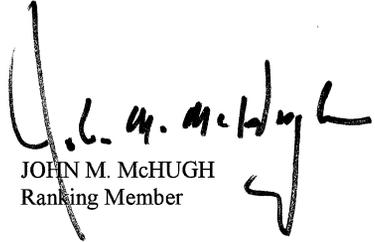
importance of these non-military activities to our national security and looks forward to fully evaluating their contributions when the details are presented to Congress.

We appreciate the opportunity to express these views on behalf of the Committee on Armed Services. We look forward to working with you and the members of the Committee on the Budget to construct a budget plan that reflects our commitment to meet volatile and emerging threats and secure our national defense.

Very truly yours,



IKE SKELTON
Chairman



JOHN M. McHUGH
Ranking Member

cc: The Honorable Paul Ryan

IS/JM:rp

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HOUSE COMMITTEE ON ARMED SERVICES

U.S. House of Representatives

Washington, DC 20515-6035

ONE HUNDRED TENTH CONGRESS

March 12, 2009

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ERIC C. CONATON, STAFF DIRECTOR

The Honorable John Spratt
 Chairman, Committee on the Budget
 U.S. House of Representatives
 Washington, D.C. 20515

Dear Mr. Chairman:

In accordance with the applicable provisions of the Budget Act of 1974 and House Rule X, clause 4(f) of the Rules of the House of Representatives, we are writing to provide additional perspectives on the views and estimates of the Committee on Armed Services with regard to the fiscal year 2010 funding allocations for the Defense Authorization bill. While many of the proposed policies in the budget proposal aim at getting our economy back on track, we write to emphasize the imperative of maintaining a strong national defense. We believe our long term domestic economic health relies upon sustaining our national defense requirements. We also support war time supplemental funding that provides the resources necessary to hold our gains in Iraq and deliver the capability required to win in Afghanistan.

The President's FY 2010 budget outline requests \$533.7 billion for the Department of Defense's base budget. While some have suggested that this budget will increase spending by 4% over the 2009 budget, real growth in defense spending is but 1.7%. If the supplemental is included, the growth in spending is some 1.4%. This is because next year's supplemental is lower than the planned total of supplemental expenditures in FY 2009. These figures represent a sharp drop in the growth of annual defense spending over the past eight years, which averaged 4.3%. This is why Defense Secretary Robert Gates greeted the budget release by announcing he would have to make some "tough choices." We are greatly concerned about this marked decline in defense spending.

A concomitant concern relates to plans for the President's budget to incorporate into the base budget items previously funded in supplemental, such as medical services, family support initiatives, security assistance to foreign governments, and enhancements to intelligence, surveillance, and reconnaissance. While we support efforts to fold foreseeable war-time costs into the baseline budget, we urge you to provide for a commensurate increase in the underlying base budget.

The story is bleaker in future years when the real costs of our baseline defense requirements will no longer be masked by supplemental appropriations. Take the growth of the military, for example. Supplemental funding bought the Army and Marine Corps more than 50,000 active duty personnel from 2001 through 2008. The price tag was roughly \$6.8 billion in additional, basic defense costs. Future defense budgets will have to absorb these costs. We've learned from Iraq and Afghanistan that planning for two major regional contingencies requires a larger military. Decreasing the size of the military should not be an option - we owe this to our military families. We urge you against providing a budget which will force the Congress to choose between reducing end strength and cutting defense programs, particularly in essential modernization accounts.

We caution against a budget that promotes fiscal restraint for defense at a time when this year's total discretionary spending will surpass the \$1 trillion mark. We note that the stimulus bill, expanded Troubled Asset Relief Program funding, and the omnibus appropriations bill have cost more than Iraq, Afghanistan and Katrina combined.

We appreciate the opportunity to express these additional views. We look forward to working with you and the members of the Committee on the Budget to construct a budget plan that reflects our commitment to resource the wars in Iraq and Afghanistan and sustain our national defense requirements.

Sincerely,

JOHN M. McHUGH
Ranking Member

Joe Wilson

[Signature]

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John M. McHugh

[Signature]

[Signature]

cc: The Honorable Paul Ryan

Bill Shurt

Mary Faller

K. W. Dwy

Mike Coff

John Klein

Robert J. Wittman

John Fleming

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Burt

J. R. G. Hodes

Jeff Miller

Jul A. L. Bink

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HOUSE COMMITTEE ON ARMED SERVICES

U.S. House of Representatives

Washington, DC 20515-6035

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ERIC C CONATON, STAFF DIRECTOR

The Honorable John Spratt
 Chairman
 House Committee on the Budget

The Honorable Paul Ryan
 Ranking Republican
 House Committee on the Budget

Dear Chairman Spratt and Representative Ryan:

We write to provide additional perspectives on the views and estimates of the Committee on Armed Services with regard to the fiscal year 2010 funding allocations for the Defense Authorization bill.

This Congress and the President have moved rapidly to commit thousands of billions of dollars in an attempt to rescue the American economy. We are concerned, however, that in the aggressive effort to achieve that end and to simultaneously restore fiscal accountability, we run the risk of subordinating defense requirements to rescuing the economy. In our view, there is no higher national priority than maintaining a strong national defense. The needs of our economic priorities and our national defense requirements must not be forced to compete for funding and resourcing. We must do both and should not shrink from allocating additional resources for the defense of our nation and the welfare of the men and women who serve in it.

As Members of the Military Personnel Subcommittee, our comments will focus on measures needed to sustain the all-volunteer active and reserve components, to provide for their families, and to ensure that the honorable service and sacrifices made by military retirees and widows are not diminished by Congressional action or inaction.

Therefore, we urge the Budget Committee to support the committee's request for allocations for an enhanced raise of 3.4 per cent in military basic pay and for the President's proposal to provide concurrent receipt of military disability retired pay and disability payments by the Veterans Administration.

With regard to any Administration or Congressional proposal to increase health care costs for Department of Defense beneficiaries, we say this: Provide the committee the necessary allocation to reject any and all such proposals. Now is not the time to raise health care costs;

economic hardships are hitting military personnel and retirees just as hard as other Americans. Furthermore, at a time when the Administration is beginning to talk about making health care affordable to all Americans and possibly free for many, raising health care costs for military retirees, who have earned the right to health care, would be unjust and inexplicable.

America's National Guard and reserves have become an operational force that repeatedly answered the call to service in wartime over the last eight years. Committee action last year provided credit towards early retirement for those who deployed to current and future contingencies. Unfortunately, due to a lack of any allocation for this requirement in the budget resolution, the current law denies such early retirement credit to all those who faithfully served in contingencies since September 11, 2001. We need to correct this injustice. We urge the Budget Committee to provide an allocation to do that. Furthermore, based on discussions with the reserve component chiefs, we believe additional measures are necessary to entice National Guard and reserve personnel to serve beyond 20 years. To that end, we request that the committee allocation also provide the mandatory and discretionary funding to permit early retirement credit for any member of the reserve components who serves in a contingency on or after achieving 20 years' service.

Military widows suffer an unfair and economically devastating tax because they are forced to forfeit their Survivor Benefit Plan (SBP) payments in order to receive Dependency and Indemnity Compensation (DIC). That offset costs widows, on average, \$1,000 a month. To the credit of the Committee on Armed Services, we have instituted a small, temporary stipend that will eventually pay widows \$100 per month to help ameliorate the financial hardship created by this so called widow's tax. That pittance is not sufficient. We need the Budget Committee's support and allocation now to authorize the receipt of both the full SBP and DIC.

In establishing the authority for reserve component members to begin receiving a retirement annuity before age 60, the Congress specifically denied these retirees access to the Department of Defense health care system. Lack of a funding allocation in the budget resolution was the primary reason for the denial. We request that the budget resolution's funding allocation provide the ability for the committee to extend eligibility for the full range of TRICARE benefits to reserve component members who retire before age 60 and are drawing military retired pay. This is the same benefit provided to active duty retirees. We should do no less for reserve component retirees who have served extensive time on active duty during war.

Finally, we urge the Budget Committee to refrain from its past practice of establishing so-called reserve funds for various high priority initiatives for which the Budget Resolution failed to provide funding allocations, unless the language actually gives the Budget Committee chairman the authority to reappropriation allocations. The previous language establishing these reserve funds appeared to give the Budget Committee Chairman such authority. However, the truth of the matter was that the reserve funds provided no reserve at all. According to the Budget Committee's interpretation of the language, the Budget Committee chairman could support projects as long as the committee proposing the initiative provided the mandatory spending offsets from within its own jurisdiction to fund the initiative. That requirement is no different from regular order. As a result, the reserve fund authority was deceptive, illusory and ineffective.

Thank you for considering these proposals and we strongly urge their adoption as part of the defense funding allocations reported out by the Budget Committee. We would be happy to discuss them further with you if you desire.

Sincerely,



Joe Wilson
Ranking Republican
Military Personnel Subcommittee



Walter B. Jones
Member of Congress



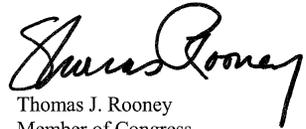
John Kline
Member of Congress



Mary Fallin
Member of Congress



John Fleming, M.D.
Member of Congress



Thomas J. Rooney
Member of Congress

Congress of the United States
Washington, DC 20515

The Honorable John Spratt
Chairman, Committee on the Budget
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman,

In accordance with the applicable provisions of the Budget Act of 1974 and House Rule X, clause 4(f) of the Rules of the House of Representatives, We are forwarding you our additional views to those submitted by the House Committee on Armed Services regarding the national defense budget function for fiscal year 2010.

We share the committee's belief in the imperative that the United States, and America's interests, must remain protected by a strong national defense. Unfortunately, in the absence of specific budget details from the Department of Defense, it is difficult to assess whether the Administration's defense budget request is appropriately shaped and sized to meet this imperative. However, we have learned sufficient details about the request to offer one specific concern.

Under your leadership, the House Committee on the Budget has taken a strong position against wasteful government spending. In House Report 110-69, the committee report accompanying the Concurrent Resolution on the Budget for Fiscal Year 2008, the committee recognized "the need for DOD to root out wasteful sending with far more diligence."

In the Concurrent Resolution on the Budget for Fiscal Year 2009, the House Budget Committee called for "a reallocation of resources to address the most severe threats facing the nation, to emphasize readiness, to guarantee first-rate health care for members of our armed forces, and to improve the quality of life of our troops and their families," reemphasized the importance of rooting out wasteful spending, and highlighted "the need for DOD to do a better job of reconciling its plans with its budget, including the Navy's shipbuilding plan... that is not viable in terms of providing the Navy with an adequate ship force..."

While we may differ on the spending levels that we believe necessary to fully fund our nation's defense needs, or on specific priorities within the defense budget, we agree with the importance of rooting out wasteful spending and wish to emphasize our concerns with the apparent disconnect between DOD requirements, plans, and budgets. Indeed, we fully expect this disconnect to manifest itself in the form of one particularly wasteful item expected to appear in the defense budget request for fiscal year 2010 – initial funding for a project anticipated to cost approximately three-quarters of a billion dollars to expand the Navy's infrastructure at Naval Station Mayport, Florida, to accommodate a nuclear aircraft carrier.

The Navy has attempted to justify this project by claiming a desire to "hedge against a catastrophic event in Hampton Roads," which is the only east coast port capable of homeporting a nuclear carrier. This is a remarkable statement, considering that: (1) the Navy has never had – and has never needed – more than one port on the east coast capable of homeporting a nuclear carrier, despite having a nuclear carrier fleet since 1960; (2) a single east coast nuclear carrier

port has been sufficient for the Navy throughout four decades of the Cold War, the Vietnam War, and eight years of the post-9/11 Global War on Terror; and (3) the Navy has not conducted a meaningful assessment of the need to “hedge against a catastrophic event” in the region.

Despite these facts, and the substantial costs, the Navy has failed to justify the expenditure of hundreds of millions of taxpayer dollars to make Mayport a nuclear carrier port. Instead, the Navy has effectively proposed to expand its inventory of infrastructure, even while it works to fulfill its 2005 Base Realignment and Closure mandates to reduce its inventory by closing bases such as Naval Station Ingleside, Texas and Naval Station Pascagoula, Mississippi.

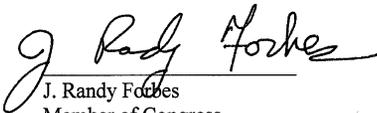
In October 2005, after the House affirmed the 2005 base realignment and closure list, you noted, “We’ve been through this process four times before, and I hope that this round will be the last for a long time to come.” We share in your hope that another round of base closures will not be necessary, but unnecessary Department of Defense actions to expand infrastructure capacity at locations like Naval Station Mayport are the surest path to needing another BRAC round that reconciles infrastructure with force structure.

The Navy’s proposal is even more astounding when considering recent reports that the fiscal year 2010 budget may force the Navy to cut its carrier fleet to 10 ships. Such reports indicate significant turmoil in the service’s force planning construct, making any decision to expand infrastructure to accommodate forces that may not exist in the near future premature. Further, many analysts consider the Navy’s shipbuilding plan to be highly unrealistic, and the service has admitted a substantial gap between its planned fighter aircraft inventory and its actual needs. As such, we must conclude that the Navy has once again failed to reconcile its requirements with its budgets.

We note that last year’s budget resolution included a policy statement that savings resulting from cuts to missile defense programs, reductions in research, development, and procurement programs, and termination of weapons geared towards meeting Cold War-era threats should be used to meet higher priority needs, such as readiness and military pay and benefits. We expect that you will agree that the expenditure of taxpayer dollars to unnecessarily expand Navy infrastructure would be better applied to meeting military readiness requirements, closing the Navy’s strike fighter shortfall, building additional ships for the fleet, and improving the quality of life for our military personnel.

If the committee intends to include such a policy statement in this year’s budget resolution, we urge that wasteful funding for the expansion of Mayport be included as a program that should be terminated in order to resource higher priority needs of the Department of Defense.

Sincerely,


 J. Randy Forbes
 Member of Congress


 Glenn C Nye
 Member of Congress