

**Statement of Secretary of Defense William S. Cohen
In Connection with the FY 2000 Defense Budget
House Armed Services Committee
2 February 1999**

Mr. Chairman, members of the Committee, it is a pleasure to be here to present President Clinton's fiscal year (FY) 2000 Department of Defense (DoD) budget request. Special greetings particularly to new members of this committee. My department and I look forward to developing a productive and cordial relationship with you as together we work to secure America's future.

We convene at the twilight of a century in which military power came to dominate much of human affairs. Through world wars, crises, and the Cold War, America learned the folly of appeasement and wishful thinking and the wisdom of preparedness and resolve. Now we meet to consider the defense budget of the nation that good fortune has cast as the one most able to lead the world toward a more peaceful century.

A prudent security strategy and defense posture remain essential to America's global leadership and its ability to foster a favorable international order. Our aim is an environment in which critical regions are stable, peaceful, and free from domination by hostile powers; the global economy and trade are free to grow; democratic norms and respect for human rights are widely accepted; and nations cooperate to prevent and, if necessary, respond to calamitous events.

The FY 2000 DoD budget advances these goals. It reflects my Department's May 1997 Quadrennial Defense Review (QDR) -- a comprehensive analysis of our nation's defense posture, strategy, policies, and programs. In view of the security threats and opportunities facing the U.S., both today and well into the future, the QDR developed many far-reaching recommendations on force structure, readiness, modernization, infrastructure, and more. It presented a new strategy that can ensure America's military superiority as well as implement the defense requirements of the President's National Security Strategy for a New Century, which stresses global engagement and leadership.

In support of our strategy, America's armed forces continue to excel in the multitude of missions given them. From Desert Storm to Desert Fox, our forces have performed with skill and precision in the vital Persian Gulf region. In Korea our troops maintain their relentless vigil against aggression from the north. In Bosnia our forces are adeptly accomplishing the military tasks needed to foster a permanent peace there. In humanitarian crises from Rwanda to Central America, our military has delivered relief whatever the obstacles. Around the globe our uniformed men and women are operating with high effectiveness, training hard, keeping our weapons and systems in good shape, and mastering all the other essentials of our defense strategy.

Over the past year our national security leadership has become more and more concerned that this military excellence could begin to wane without substantial new investments. Although our forces continue to accomplish their missions splendidly, there are warning signs of potential problems. Recruiting and retention are increasingly difficult, readiness harder to maintain, and modernization tougher to fund sufficiently. General Shelton, the Service Chiefs, and I conveyed

our concern to President Clinton, and he agreed that corrective action was needed. The President decided to propose substantial increases in military compensation and the first sustained long-term increase in defense resources in over a decade. His action meets the most pressing requirements identified by our uniformed leaders and will enable us to continue the military excellence that has become our nation's pride.

This statement highlights how the President's FY 2000 budget proposes to keep America's defense posture strong. It emphasizes how the FY 2000 budget:

- 1) Supports the QDR strategy of Shape, Respond, Prepare
- 2) Provides substantial new resources through a higher topline and reapplied savings
- 3) Puts people first with the largest military pay raise in a generation and increases in military retirement benefits
- 4) Protects readiness priorities with increased funding for operations, training, repair parts, and maintenance
- 5) Achieves QDR modernization aims including \$60 billion per year Procurement by FY 2001
- 6) Reaffirms our commitment to streamlining and reform of DoD infrastructure and support
- 7) Continues the strengthening of our critically important Reserve components

Supporting the QDR Defense Strategy

The QDR defense strategy has three elements:

(1) The U.S. must **Shape** the international security environment in ways favorable to its interests. We work to do this by promoting regional stability, preventing conflicts, deterring aggression, and reducing threats. Especially crucial are the overseas deployment and superior capabilities of U.S. forces, our international alliances, and our peacetime engagement with selected nations with the aim of them being friends, not adversaries in the future.

(2) The U.S. must **Respond** to the full spectrum of crises. America's military must be capable of responding effectively to crises in order to protect our national interests, demonstrate U.S. resolve, and reaffirm our role as a global leader. U.S. forces must be able to execute the full spectrum of military operations -- from deterring aggression and coercion, to conducting concurrent smaller-scale contingency operations, to fighting and winning major theater wars.

(3) The U.S. must **Prepare** now for an uncertain future. Among our efforts to do this, we must pursue focused modernization to replace aging systems and incorporate cutting-edge technologies to ensure U.S. military dominance. We must streamline and improve our Defense infrastructure and support activities. And we must hedge against the possible emergence of a major unanticipated threat through such priorities as carefully targeted research and development.

The essence of this defense strategy is balance between current dangers and opportunities versus those we might face in the future. We need sufficient forces and capabilities to meet today's requirements, while at the same time investing wisely for the future. The FY 2000 budget provides

balanced support of the QDR strategy of Shape, Respond, Prepare. All three elements benefit from proposed funding of our top priorities -- people, readiness, and modernization.

The requirements of the QDR strategy determine the size, composition, and posture of U.S. forces. Our forces are configured not only to meet current threats, but also to succeed in a broad range of missions and environments. The Defense program seeks to ensure that the U.S. military has the capabilities to dominate future foes and give national leaders a range of attainable options for promoting and protecting America's interests in peace, crisis, and war.

Our defense strategy and program includes a major focus on countering the serious threat of weapons of mass destruction (WMD). Efforts to reduce this threat include the Cooperative Threat Reduction (CTR) program to support the destruction and nonproliferation of weapons of mass destruction in nations of the former Soviet Union, the Chemical Weapons Convention, and various other measures to discourage the proliferation of these weapons. The FY 2000-2005 budget to address WMD dangers includes: \$2.9 billion for the CTR program; almost triple the previously planned spending for National Missile Defense (NMD); and additions to other programs to counter WMD threats, particularly those associated with the Special Operations Command.

Increasing Defense Resources

Proposed budget authority for FY 2000-2005 reflects President Clinton's plan to make available to DoD \$112 billion in additional resources, which will enable DoD to fund the most critical priorities identified by our military leaders. This constitutes the first sustained long-term increase in defense funding since the end of the Cold War. The additions are being made to resource levels planned at the time of last year's FY 1999 budget request.

The added \$112 billion consists of an \$84 billion increase to last year's planned topline and \$28 billion in savings from lower inflation, lower fuel prices, rescissions, and other adjustments -- savings the President directed DoD to retain and allocate to pressing needs. President Clinton's \$84 billion topline increase reflects his proposal in the State of the Union address to allocate to defense spending a portion of the projected federal budget surplus once a resolution on Social Security is achieved.

For FY 2000 the budget includes \$12.6 billion in additional resources -- \$4.1 billion from a topline increase and \$8.5 billion from economic adjustments and other provisions. These added resources enabled DoD to increase military compensation, provide balanced support to readiness and modernization priorities, and fund the expected cost of Bosnia and other operations.

The allocation of the total \$112 billion reflects our balancing of current and future needs:

- \$35 billion to Military Personnel accounts, primarily for higher pay and retirement benefits
- \$49 billion to Operation and Maintenance accounts for various readiness enhancements, Bosnia costs, higher civilian pay raises, and CTR increases
- \$28 billion to modernization (primarily Procurement and RDT&E accounts) for funding increases for weapons, facilities, and support systems, plus added funding for NMD

Putting People First

Providing a good quality of life for our uniformed people and their families remains essential to sustaining U.S. military strength. Reflecting that reality and to address mounting warnings about retention and recruiting, this year's budget includes the largest increase in military compensation in a generation. The compensation package proposals:

- 1) The REDUX change in military retirement would be reversed by raising benefits from 40 percent to 50 percent of base pay for members retiring after 20 years. Also proposed are changes to ensure that retirees get cost-of-living (COLA) increases during periods of low inflation. Restoring military retirement benefits was the military leadership's top priority. For FY 2000-2005, these changes cost \$6 billion.
- 2) Military base pay in FY 2000 would be raised 4.4 percent -- the largest military pay increase since FY 1982. This raise exceeds the forecasted rate of civilian wage growth (employment cost index or ECI) and is more than two percentage points above the general inflation rate as reflected in the Consumer Price Index, projected at 2.3 percent for FY 2000. Planned FY 2001-2005 raises are 3.9 percent per year, which matches the projected ECI. For FY 2000-2005, the incremental cost of these higher pay raises compared with the lower raises planned for these years in the President's FY 1999 budget request is about \$14 billion.
- 3) Pay also would rise in connection with military pay table changes to increase the raises associated with promotions. This change will reward performance, compensate people for their skills and experience, and encourage them to continue their service. These targeted increases will range up to 5.5 percent, and will be in addition to the across-the-board raises. For FY 2000-2005, these pay table changes will cost \$4.5 billion.
- 4) For FY 2000-2005, the budget also includes another \$2 billion for initiatives to improve recruiting and retention. For example, DoD is proposing higher compensation for military members possessing critical military skills.

From the \$112 billion in additional resources for FY 2000-2005, the Department allocated a total of \$36.5 billion to "put people first." This includes these four military pay and retirement increases plus \$10 billion for higher pay raises for DoD civilians.

Protecting Readiness

The readiness of our first-to-fight forces remains high, and overall our forces continue to be fully capable of executing the National Military Strategy. However, the intensity of operations, the less-ready posture of some later deploying forces, and other concerns require extra measures to ensure sufficient readiness in the years ahead.

Readiness continually needs monitoring and refreshing. Over the past 12 months, added funding has been needed to preclude our readiness being eroded from unbudgeted costs and other unforeseen requirements. To protect readiness in FY 1998, DoD proposed and Congress supported an emergency supplemental of \$1.8 billion for Bosnia and other unbudgeted costs, plus a reprogramming of \$1 billion -- primarily into key readiness accounts. For FY 1999, Congress approved the President's request for emergency funding of \$1.9 billion for Bosnia and \$1.1 billion

for readiness needs. This responsiveness by the Congress demonstrated its appreciation of the importance of quick and substantial action when readiness concerns arise.

Bolstered by added resources, the FY 2000 budget funds the training, exercises, maintenance, supplies, and other essentials needed to keep U.S. forces prepared to achieve their combat missions decisively. Most of this readiness-related spending comes in the Department's Operation and Maintenance (O&M) accounts. When adjusted for today's lower troop strengths, O&M funding in FY 2000 is well above levels during the 1980s.

The FY 2000 budget funds the military services' most pressing readiness requirements -- those that could put readiness seriously at risk. It supports traditionally high OPTEMPO, flying time, and other readiness enhancers; readiness-related maintenance and improvements at DoD facilities; and readiness-related modernization, in areas like electronics and maintainability.

For FY 2000 the budget includes \$1.8 billion for ongoing Bosnia-related operations and \$1.1 billion for operations in Southwest Asia (SWA) at the force level and operating tempo in place last September. The Department has also incurred unbudgeted FY 1999 costs from providing assistance to Central America in the aftermath of Hurricane Mitch and from Operation Desert Fox in SWA. The FY 2000 budget contains an allowance to deal with these kinds of unanticipated emergencies.

The Department will continue to work to ensure that unexpected funding requirements, such as unbudgeted military operations or recovery from natural disasters, do not force us to divert funds away from readiness, modernization, and other priorities. We appreciate Congress's strong support of our requirements during the past year.

Achieving Modernization Goals

As reconfigured by the QDR, the Department's weapons modernization plans include development of cutting-edge capabilities as well as cost-effective upgrades to existing systems. Helped substantially by the President's addition of resources, the FY 2000 budget meets the QDR recommendation to increase Procurement funding to \$60 billion per year by FY 2001. The complete Procurement funding profile:

Department of Defense Procurement (\$ in billions)

<u>Budget Authority</u>	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>
QDR Goal	49	54	60	*	*	*	*
FY 2000 budget	49.0	53.0	61.8	62.3	66.6	69.2	75.1

*QDR did not specify funding goals beyond 2001.

For FY 2000, our full funding of readiness and personnel needs left us \$1 billion short of the QDR's Procurement goal. Still, in real terms Procurement at \$53 billion is nearly 7 percent higher than the FY 1999 level, and it will grow another 15 percent in FY 2001.

America's military preeminence depends on investments in new technologies. A high priority for achieving this is DoD's science and technology program, which funds research that should help field superior weapons and support systems at affordable prices. Also critical are advanced concept technology demonstrations (ACTDs), which link relatively mature technology with new operational concepts and enable us to expeditiously evaluate important innovations.

The \$112 billion addition of resources will enable DoD to make important augmentations to its previous modernization plans. It will enable the Department to:

- Include \$6.6 billion more for NMD deployment (includes FY 1999 supplemental funding)
- Add 8 ships to the Navy's shipbuilding plan
- Procure additional aircraft such as the F-16, C-17, T-45, and V-22.
- Fix underfunding shortfalls for the LPD-17, NAVSTAR GPS Satellite, and evolved expendable launch vehicle (EELV).
- Increase funding for the Army's training ammunition requirements and invest \$2 billion in critical combat service support equipment
- Add \$1 billion to the Marine Corps budget for critical Procurement needs
- Address bow wave funding challenges in the years beyond 2003

Major Service Programs

The ambitious DoD modernization program is especially critical for achieving the needed transformation of U.S. forces to reflect new technologies and other military-related trends. Transforming U.S. forces requires implementation of Joint Vision 2010, our new concept for how U.S. forces will fight and achieve what we call "full spectrum dominance." At the heart of JV 2010 is the ability to collect, process, and disseminate information to U.S. forces, while denying the enemy the ability to gain and use battle-relevant information.

DoD's long-term campaign to exploit such advanced technology to ultimately bring about fundamental conceptual and organizational improvements to U.S. forces is called the Revolution in Military Affairs (RMA). This transformation promises to enable our forces to attack enemy weaknesses directly and with great precision -- and therefore with fewer munitions, less logistics strain, and less collateral damage. Our RMA campaign is a critical way in which we seek to prepare for an uncertain future, derive maximum military capability from constrained defense resources, and exploit America's human and technological advantages. To advance these aims DoD is exploring new war-fighting concepts and capabilities, and establishing a new joint RMA experimentation program. Also key is the planned acquisition of new command, control, communications, computers, intelligence, surveillance, and reconnaissance (C4ISR) capabilities.

Modernization of aviation forces includes DoD's largest acquisition program: the Joint Strike Fighter (JSF). The aim is a family of aircraft, with variants configured to meet several sets of requirements. The JSF will replace the F-16 in the Air Force, F/A-18C in the Navy, and F/A-18C/D and AV-8B for the Marines. The JSF will continue in its concept demonstration phase into FY 2001, in preparation for procurement to commence in FY 2005.

The F-22 will replace the F-15C/D in the air superiority role and have substantial air-to-ground capability as well. Aircraft testing is continuing, and F-22 production is expected to build to 36 aircraft per year by FY 2004. The Navy's F/A-18E/F will provide much greater survivability and payload over earlier F/A-18 models. Initial operational capability is planned for FY 2001. For the longer term the Navy plans to transition from F/A-18E/F to JSF procurement at a time based on the pace of JSF development.

Modernization of ground forces will stress upgrades of primary combat platforms like the Army's Abrams tank, Bradley Fighting Vehicle, and Apache Longbow helicopter. Major development efforts include the Comanche helicopter and Crusader artillery system. Marine Corps modernization features the V-22 tilt-rotor aircraft, the Advanced Amphibious Assault Vehicle, and upgrades of utility and attack helicopters and the AV-8B.

Modernization of naval forces includes procurement of the DDG-51 Destroyer, LPD-17 amphibious transport dock ship, T-ADC(X) logistics support ship, and New Attack Submarine (NSSN). The tenth Nimitz-class carrier (CVN-77) is fully funded in FY 2001. The budget also supports development of the next generation aircraft carrier and destroyer.

The FY 2000 budget advances the QDR-stressed capability of projecting military power to distant regions. Procurement of 120 C-17 aircraft will be completed by FY 2003, and further purchases are planned for FY 2004-2005. The C-5 transport and KC-135 tanker will receive major avionics upgrades and other enhancements.

The new budget continues the QDR's emphasis on precision munitions -- both with new systems and upgrades to existing missiles, bombs, etc. Also supported are the scores of lesser-known programs needed to ensure the decisive combat superiority of America's armed forces.

To get the most for our modernization dollars, it is important to institutionalize acquisition reform so we can improve our ability to provide effective weapon systems. It also is necessary to modernize logistics to cut costs, infrastructure, and cycle time, thereby providing better support to our 21st century forces.

Ballistic Missile Defense

The FY 2000 budget continues DoD's strong ballistic missile defense (BMD) programs, which remain critical to a broader strategy seeking to prevent, reduce, deter, and defend against WMD and missile threats. The Department remains committed to advancing its missile defense efforts as fast as technology risks allow.

We continue to emphasize theater air and missile defense programs -- aimed at meeting today's regional threats. The primary goal is to develop, procure, and deploy systems that can protect forward-deployed U.S. forces, as well as allies and friends. Our plan envisions the phased acquisition of a multi-tier, interoperable, defense-in-depth capability against ballistic and cruise missiles. To defeat shorter-range missiles, our key lower-tier programs include the Patriot PAC-3 and Navy Area systems. Key upper-tier programs are the THAAD and Navy Theater Wide

systems. To defeat theater-range missiles during their boost phase, we are developing an Airborne Laser system.

This budget includes substantial new resources for the National Missile Defense (NMD) program. It increases NMD funding by \$6.6 billion, including \$600 million in FY 1999 supplemental appropriations. Total NMD funding for FY 1999-2005 is \$10.5 billion. This substantial investment includes funding for NMD deployment and underscores the Administration's commitment to NMD. However, no deployment decision has been made. A decision about deployment is planned for June 2000 and is expected to be based primarily on the maturity of NMD technology as demonstrated in development and testing.

The primary mission of the NMD system being developed is the defense of the U.S. -- all 50 states -- against a limited strategic ballistic missile attack such as could be posed by a rogue nation. Such a system also would provide some capability against a small accidental or unauthorized launch of strategic ballistic missiles from more nuclear-capable states.

In order to deploy a technologically capable system as quickly as possible, we will phase key decisions to occur after critical integrated flight tests. As a result, instead of projecting a deployment date of 2003 with exceedingly high risk, we are now projecting a date of 2005 with a more manageable, but still high risk. If the testing goes flawlessly, we could seek to deploy sooner.

Streamlining and Reforming DoD Infrastructure and Support

My Defense Reform Initiative (DRI) continues to spearhead a comprehensive DoD campaign to streamline and reform our support activities. Our goal is to substantially improve these activities and get them to consume a smaller portion of the defense budget. This effort is smart in and of itself; but it also is imperative in order to free up funds to help pay for high priorities like weapons modernization.

During its first year DRI made major progress. For example, we have nearly completed a one-third size reduction in the Office of the Secretary of Defense (OSD) and are advancing similarly ambitious streamlining in other DoD components. We are incorporating successful private sector processes and practices. We are shifting from paper to electronic transfer of information. We are using public-private competition to improve functions and cut costs. This competitive sourcing will save \$11.2 billion from 1997 to 2005, and \$3.4 billion per year thereafter. For FY 1997-2005 about 229,000 DoD positions are expected to be competed. Having developed momentum with DRI, new ideas have been added to improve processes affecting the quality of life and professional development of our military people and DoD civilians.

The resources added by the President for FY 2000-2005 in no way diminish DoD's resolve to shrink the portion of its budget consumed by infrastructure. They especially do not alleviate the critical need for congressional approval of two more rounds of base closure and realignment (BRAC). Without such approval, scarce defense dollars will continue to be spent on excess infrastructure, rather than on the vital needs of America's armed forces.

Between 1988 and 1995 four BRAC Commissions proposed the closure or realignment of 152 major installations and 235 smaller ones. Complete implementation of those decisions is projected to net \$14.5 billion in savings by FY 2001. After FY 2001 recurring savings from them will be about \$5.7 billion per year.

The estimated up-front costs for implementing decisions of BRAC rounds in FY 2001 and 2005 are included in the FY 2000-2005 budget. These BRAC actions could begin to generate savings by 2005 and ultimately save over \$20 billion by 2015. I realize that some in Congress are dissatisfied with aspects of past BRAC implementation. But in writing legislation for new BRAC rounds, the Congress can tailor the law to address such concerns. Please join me in working to shift resources from redundant infrastructure to military muscle.

Strengthening Reserve Components

The FY 2000 budget reflects the essential role of the Reserve components in America's defense strategy, and it continues the critically important integration of the Active and Reserve components. The National Guard and Reserve were closely involved in resource decisions.

The FY 2000 budget provides \$20 billion for Reserve component personnel, operations, and facilities accounts. For FY 2000, over \$1 billion was added to previous plans for crucial training and other requirements including added funds for Active/Reserve integration, OPTEMPO, base operations, Reserve component support to combatant commanders, and programs to engender critical employer support required as a result of increased utilization of the National Guard and Reserve. This budget advances DoD's goals for equipment modernization and interoperability for the Reserve components by providing over \$1.6 billion in FY 2000. It funds special youth development initiatives such as the National Guard Youth ChalleNGe Program and the Starbase program. And it continues funding of the Innovative Readiness Training Program, providing valuable military training while benefiting America's civilian communities.

Strong support was given to the larger role that Reserve components are to play in increasing DoD's capabilities to support federal, state, and local agencies in responding to domestic incidents involving weapons of mass destruction (WMD). The Department has begun to train and equip members of the Reserve components to better support civilian authorities in mitigating the consequences of a WMD attack.

The FY 2000 budget promotes the Department's objectives in supporting the Reserve components as fully integrated partners within the Total Force, and seeks to use specific talents of the Guard and Reserve in new and innovative ways.

Closing

I look forward to continued cooperation as together we work to reinforce America's military strength and global leadership.