



PRESS RELEASE

House Armed Services Committee

Floyd D. Spence, Chairman

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SPENCE CALLS FOR INCREASED DEFENSE SPENDING TO ADDRESS CRITICAL UNFUNDED REQUIREMENTS

Chairman of the House Armed Services Committee Floyd Spence in a letter delivered today to House Budget Committee Chairman John Kasich called for increased defense spending to address critical unfunded quality of life, readiness and modernization shortfalls identified by the Joint Chiefs of Staff.

“I recommend increasing defense spending in order to address the military services’ unfunded requirements,” wrote Spence. “Our military leaders have told us what they require to execute the National Military Strategy, and at a committee hearing last week the service chiefs identified in specific detail where the President’s budget failed to address their requirements. At a minimum, the Concurrent Resolution on the Budget should provide for increased defense spending over the next six years sufficient to address the unfunded requirements that have already been identified by the Joint Chiefs of Staff.”

On the issue of spending caps, Spence once again recommended “renegotiation of the [Balanced Budget Agreement’s] discretionary spending cap if that is what is necessary to increase defense spending.”

Spence specifically noted the military’s worsening recruiting and retention problems, adding, “The committee’s ability to address these serious problems will be limited without such resources.” Spence also indicated his intention to consider any pay-related and retirement initiatives as part of the annual defense authorization bill.

Under the Budget and Impoundment Control Act, there is an annual requirement for each committee of the House of Representatives to express its views on the budget in a letter to the House Budget Committee.

A copy of the letter is attached.

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COMMITTEE ON NATIONAL SECURITY

U.S. House of Representatives

Washington, DC 20515-6035

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March 2, 1999

ANDREW K. ELLIS, STAFF DIRECTOR

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

Dear Mr. Chairman:

Pursuant to the applicable provisions of the Budget and Impoundment Control Act and Rule X, clause 4(f) of the Rules of the House of Representatives for the 106th Congress, I am forwarding views regarding the national defense budget function (050) for fiscal year 2000.

The President's fiscal year 2000 defense budget request presents a number of serious problems that Congress will need to address. For the third consecutive year, the Congressional Budget Office (CBO) and the Office of Management and Budget (OMB) will have a large disparity in their respective estimates of the outlay implications of the President's defense budget request. At this time, CBO has not completed its re-estimate of the President's budget request so the estimates below are based upon informal discussions with CBO and preliminary work by our respective committee staffs.

Two years ago, CBO concluded that OMB had underestimated defense outlays in the fiscal year 1998 budget by \$5.6 billion, while last year, CBO concluded that OMB had understated defense outlays in the fiscal year 1999 budget by \$3.6 billion. For fiscal year 2000, preliminary estimates indicate that the President's defense budget request has understated defense outlays by \$8-\$10 billion. I anticipate that \$4-\$5 billion of this outlay problem will reflect CBO/OMB disagreements over outlay spendout rates in certain accounts. I also expect that an additional \$4-\$5 billion in understated outlays will result from CBO scoring of a range of administration proposals and assumptions contained in the budget request such as; an adjustment in progress payments; the proposed transfer of \$1.6 billion in real property maintenance funding; unreleased fiscal year 1999 emergency supplemental appropriations; the \$1.65 billion unspecified rescission; and the proposed incremental funding of military construction programs. As

in the past, I urge the Budget Committee to work with the Administration to develop a binding conflict resolution mechanism to resolve as many of the CBO/OMB outlay scoring disputes as possible in advance of the annual submission of the President's budget.

If the Concurrent Resolution on the Budget does not provide relief from these outlay scoring problems, the Armed Services Committee would be confronted with having to cut the President's fiscal year 2000 defense budget request by as much as \$15-\$20 billion in budget authority in order to meet the defense outlay allocation that underlies the overall discretionary outlay cap called for in the Balanced Budget Act (BBA). Reductions of this magnitude would be devastating to the military services' already underfunded programs and would obviously be opposed by the Administration. Consistent with actions taken over the past two years, I recommend that the Budget Committee consider directing the use of OMB's outlay estimates (i.e., directed scorekeeping), providing additional outlays for the national defense function necessary to adjust to CBO's higher estimates, or both.

On a broader level, the military services continue to confront the worst quality of life, readiness and modernization problems since the 1970s as a result of a significant increase in operational tempo in the post Cold War World following, as it does, on the heels of more than a decade of sharply declining budgets and shrinking forces. Last year, the Joint Chiefs of Staff publicly testified that projected defense spending levels for the next six years would leave unfunded at least \$150 billion of critical service requirements. Last fall, President Clinton admitted to the seriousness of these problems and recognized the need for increased defense spending to address quality of life, readiness and modernization shortfalls. Unfortunately, the President's fiscal year 2000 defense budget request falls far short of addressing the military services' needs.

The President's fiscal year 2000 defense budget request proposes only \$4.1 billion in increased budget authority next fiscal year (\$2.9 billion of which is predicated on reclassifying mandatory receipts from changes in tax law as discretionary offsets) and \$84 billion in increased budget authority over the next six fiscal years. The President's requested increase of new budget authority falls approximately \$17 billion short of addressing the Joint Chiefs' unfunded requirements next fiscal year alone. Over the course of the next six years, the President's proposed defense spending increases fall more than \$70 billion short of addressing the military services' unfunded requirements.

In addition, much of the defense budget increase proposed by the President cannot necessarily be taken at face value as it is heavily predicated on risky economic assumptions and suspect political conditions. For example, the President has explicitly held the \$84 billion in proposed defense spending increases over the next six years hostage to domestic political initiatives. According to the President's budget, "if Social Security Reform is not enacted, discretionary spending levels [for defense] would be reduced to those assumed in the Balanced Budget Act of 1997 for 2001 through 2004." In other words, the President will not support any defense budget increase until Social

Security is reformed. This is a troubling message for the Commander in Chief to send to the troops and raises serious questions about the President's commitment to addressing the needs of our nation's military.

In the context of CBO predictions of a \$2.6 trillion budget surplus over the next ten years, including a \$131 billion surplus next fiscal year, I recommend that defense spending be increased in order to address the military services' unfunded requirements. Consistent with my position last year, I once again recommend renegotiation of the BBA's discretionary spending caps if that is what is necessary to increase the defense budget. Our military leaders have told us what they require to execute the National Military Strategy, and at a committee hearing last week the service chiefs identified in great detail where the President's budget failed to address their requirements. At a minimum, the Concurrent Resolution on the Budget should provide for increased defense spending over the next six years sufficient to address the unfunded requirements that have already been identified by the Joint Chiefs of Staff.

As you are aware, the military's recruiting and retention problems have progressively worsened over the past several years. The President has proposed a package of pay related and retirement reform initiatives in his budget in an effort to address these problems – initiatives having significant discretionary and mandatory spending implications next fiscal year and over the FYDP. Last week, the Senate also passed legislation (S. 4) which contains a wider range of provisions, at greater cost, than does the President's package. Comprehensive discretionary and mandatory cost estimates are unavailable at this time as CBO has neither completed its re-estimation of the President's budget proposal nor scored the Senate-passed legislation.

The Armed Services Committee has already begun hearings to explore the Administration and Senate recruiting and retention initiatives. This is a complex problem and the proposals under consideration are complicated and expensive. The committee plans to consider these initiatives carefully and comprehensively in the weeks ahead to facilitate its efforts to develop a bipartisan approach to addressing recruiting and retention problems as part of the fiscal year 2000 defense authorization bill.

In this regard, for the committee to address the recruiting and retention problem in any comprehensive fashion, the Concurrent Resolution on the Budget will need to provide increased entitlement authority for the national defense budget function. The only entitlement programs over which the Armed Services Committee has jurisdiction involve military retirement and some veteran's educational benefits, neither of which would provide viable offsets to the costs of pay-related and retirement reform initiatives intended to address recruiting and retention problems. Accordingly, I strongly recommend that along with increased discretionary spending, additional entitlement authority be provided for the national defense budget function sufficient to permit the committee and the House to consider a range of initiatives necessary to address the recruiting and retention problems confronting the military services. The committee's

ability to address these serious problems will be limited without such additional resources.

I appreciate the opportunity to express my views as the Chairman of the Committee on Armed Services. I look forward to working with you and the members of the Budget Committee to construct a supportable five year plan for the national defense budget function. Please find the attached separate views of Mr. Ike Skelton, the Ranking Democrat of the Committee on Armed Services.

Sincerely,

A handwritten signature in black ink that reads "Floyd Spence". The signature is written in a cursive, flowing style.

Floyd D. Spence
Chairman

cc: The Honorable John M. Spratt, Jr.
The Honorable Ike Skelton