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COMMITTEE ON ARMED SERVICES

U.S. House of Representatives

Washington, DC 20515-6035

ONE HUNDRED TWELFTH CONGRESS

May 11, 2012

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ROBERT L. SIMMONS, II, STAFF DIRECTOR

The Honorable Leon E. Panetta
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Mr. Secretary,

I was disturbed to read the transcript of your recent press conference this morning. In your criticism of my proposal for the Department's FY13 Authorization Bill, you are clearly operating under some misconceptions. In spite of the fact that the text has been publicly available all week, perhaps your staff has not sufficiently briefed you on the actual provisions in the bill. As this appears to be the case, I am happy to do so here.

First, you criticized the topline funding this committee authorized for national security programs. Your criticism, that our funding is in excess of the caps prescribed by the Budget Control Act of 2011 (BCA), is surprising to me. As you and I have discussed, and as you testified to my committee, those caps take the Defense Department right to the razor's edge. They cut through any fat that may have existed in the defense budget and into the muscle. In fact, contrary to your assertion yesterday, in proposing a defense budget that exceeds the BCA caps, the President himself acknowledges the BCA caps are too low to meet the core needs of the new defense strategy, much less address any of the vulnerabilities inherent in that strategy. The \$4 billion in funding that my committee restored is applied to address precisely those vulnerabilities. Moreover, the total authorized funding is consistent with the House-passed fiscal year 2013 budget, which actually reduces discretionary federal spending below the caps established by the BCA.

Before I address those vulnerabilities let me touch on one theme that you often repeated in your press conference. You asserted that every dollar added to the defense authorization will come at the expense of another critical national security program. This is false. In crafting the budget, House Republicans were careful to identify other non-defense budget sources to accommodate the needed increase in national security accounts while complying with the overall BCA budget targets. Moreover, the House Armed Services Committee strictly adhered to several principles in putting together this legislation. First, there are no earmarks in this bill. Second, as Chairman, I did not

allow members to “tuck” pet projects into larger accounts that would force you to make the tradeoffs to which you referred. Wherever we have restored programs, platforms, or activities, we have also restored the manpower and operation and maintenance funding needed to sustain them. We understand that adding hollow force structure for pet projects was a very real problem when you served in Congress. I am happy to tell you that at least on this committee, things have changed since then.

Any careful look at the “pet projects” to which you referred would reveal that they are anything but. Rather, the adds in the FY 13 NDAA are designed to resolve the critical vulnerabilities left by the President’s new budget driven defense strategy. I am happy to elaborate on some of them below:

- **Air Guard Assets:** The debate over reductions to the Air Guard is well known. Your own staff seemed so unsure of their decision-making process that they took the unprecedented step of allowing the Council of Governors to propose an alternative approach after the budget had been submitted to Congress. Moreover, we received your communication requesting a change in the President’s budget request on the Air Guard assets, underscoring the Department’s uncertainty about this proposal. Balancing the needs of the states against the requirements of the federal government is one of Congress’s responsibilities. In this case, the committee believes that while some of these assets may be redundant to the Department of Defense, they remain vital to governors who have important roles as first responders in a time of crisis. The committee is also acutely aware that the services have relied heavily on their respective Reserve Components over the past 10 years of conflict and have embraced the operational reserve as a practice versus a concept. The Guard and Reserves can play a pivotal role in the “reversibility” principle upon which the President’s defense strategy depends. As with all the programs in the bill, the committee did not simply restore funding for aircraft, but also for personnel and operational costs, leaving no need for you to make tradeoffs.
- **TRICARE:** The President’s strategy also depends, as we have for decades, on an all-volunteer force. That force, in turn, depends on Congress and the Administration’s ability to keep faith with current warfighters and retirees. My committee believes that the Administration’s proposal to raise TRICARE fees and establish new fees, at a time when the Administration would accept no modification to civilian entitlement programs, is fundamentally a breach of that faith. We believe that the changes made in the FY 12 NDAA to make modest adjustments to TRICARE fees and to tie future fee increases to retiree cost of living adjustments keeps the program on a sustainable trajectory. That is why we applied the same standard to the TRICARE pharmacy program. It also demonstrates that, once again, the military – those currently serving and our military retirees – are doing their part. I admit I am surprised that you took issue with this provision. In February, General Dempsey said “I want those of you who serve and who have served to know that we’ve heard your concerns... about the tiered enrollment fee structure for TRICARE in retirement... you have our commitment that we will continue to review our health care system to make it as responsive, as affordable, and as equitable as possible.” Given this statement, I had assumed you were giving this policy a second look.

- **Force Structure:** As I mentioned above, the President's defense strategy depends on being able to quickly reverse certain decisions, like reducing the total size of our military force, in the event of a crisis. That is possible so long as the initial reduction in force structure is phased and gradual. Our legislation ensures this, and used prior commitments from your own staff as our guide to establishing annual caps. The last time America's military underwent a significant reduction in manpower, the pace of that reduction was dramatically accelerated in the second and third years to meet mounting budget pressure – to the detriment of the overall force. We are seeking to learn from that mistake. To that end, the committee noted that personnel costs for those you have identified for separation have been shifted to war spending in the Overseas Contingency Operations (OCO) account. This cynical budget trick makes the acceleration of the drawdown more likely as war spending is reduced. My bill requires you to shift the funds back to the regular base budget.
- **Cruisers:** There has been quite a bit of commentary on the committee's move to restore three cruisers you slated for retirement. Contrary to your assertions yesterday that these are aging assets, these cruisers each have more than a decade of useful service life left in them and can help make up the lack of combat power behind the President's "pivot" to Asia. This committee agreed on a bipartisan basis that retaining these cruisers is not only wise, it is less costly than new construction.
- **Global Hawk Block 30:** Much has been made of the fact that the manufacturer of these UAVs is based in my district. As I have pointed out, however, so are the U-2 aircraft you proposed to replace them with. Our bill does not require you to buy more of this asset, but simply to keep those you currently have in the force. The truth is that the committee found your proposal, to divert new assets directly from the assembly line to storage, to be entirely budget driven with no underlying ISR analysis to support the U-2's ability to fill the gap.
- **Missile Defense:** Much has been made of our proposal to establish a missile defense base on the east coast. In the FY13 NDAA we authorize \$100 million for an environmental survey and the first steps in establishing a base. We believe that this is consistent with a long held strategy to defend the eastern US from the rising threat of a nuclear Iran. Given the gap between the expected maturation of the Iranian threat and the establishment of a workable base in Poland and the uncertainty the President introduced in his recent negotiations with Russia; we believe this modest investment is more than wise.

These provisions were crafted in cooperation with Republicans and Democrats on our committee, as has been our longstanding practice. With the exception of missile defense, in over thirteen hours of open debate this week, no member of the committee offered an amendment to reverse any of the provisions above. Further, the bill passed with overwhelming bipartisan support, by a vote of 56-5. At this time, I do not anticipate any attempt to remove them on the House floor, nor do I foresee any erosion of support for them in the Senate.

Mr. Secretary, you find yourself in a difficult job at a dangerous time. Between those who challenge America's freedom and vital interests abroad and the declining resources available to meet them, you have no easy choices open to you. I have been impressed with the skill, dedication, and wisdom you have brought to the Department. I believe that the public would be reassured about how well a Republican Committee Chairman and Democrat Secretary of Defense work together in a time of significant challenges. My goal in crafting the FY13 NDAA has been to ease the pressure on you and America's military, not add to it. I have always appreciated your candor and hope that you will receive this letter in that same spirit.

Respectfully,



Howard P. "Buck" McKeon
Chairman
House Armed Services Committee