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STATEMENT OF THE HONORABLE TILLIE K. FOWLER
SUBCOMMITTEE ON MILITARY READINESS
MARK UP MEETING

April 30, 1998

The subcommittee meets today to mark up the Military Readiness portion of the Defense Authorization Act for fiscal year 1999. As many of you may know, Chairman Bateman is recuperating from surgery performed last week. I am able to report that he is doing fine and intends to return to his duties in the near future. In the meantime, as vice chairman I have been asked to fill in for the chairman and proceed with the mark up. The staff and I have consulted regularly with Chairman Bateman and this mark reflects his commitment to the readiness of our armed forces.

Much has been said lately about military readiness and that adequate readiness funding is absolutely essential to sustain the readiness of our armed forces and protect America's security interests and global leadership. The committee has recently heard from the Secretary of Defense and the entire Joint Chiefs of Staff emphasizing the importance of full operation and maintenance funding to maintain readiness. Although I emphatically agree that readiness must be kept at the highest possible level, it is important to stress that not all of the operation and maintenance budget is directly tied to military readiness.

Of all the major elements of the defense budget, perhaps the least understood is the operation and maintenance, or O&M accounts. At \$94.8 billion, O&M funding accounts for the largest share of the President's defense budget request for fiscal year 1999 and is traditionally considered the "readiness" account. But the O&M account, or more precisely, accounts, includes much more than traditional or core readiness spending. In addition to paying for the day-to-day operations of the military services, training, supply, and equipment maintenance, O&M funds the Department's administrative functions, environmental restoration, cooperative threat reduction efforts, humanitarian assistance, and many more such programs. Whatever the merits of these other programs, they are related only marginally to the readiness of U.S. forces to fight the nation's wars.

In September 1997, the Congressional Budget Office reported that mission-related elements, those most directly associated with unit readiness, had fallen to a mere 41 percent of the total O&M budget for fiscal year 1996. The report also found that DOD's environmental responsibilities have added the greatest new cost to defense-wide O&M spending.

After a thorough subcommittee review of the O&M budget request for next year, I am convinced that it is riddled with accountant-inspired gamesmanship designed to inflate the O&M topline and create the appearance of the Administration's commitment to fully funding readiness. For example, the budget request proposes to shift \$982 million from the Defense Working Capital Fund account into the military services O&M accounts for commissary store operations. In previous years, commissaries were funded outside the O&M accounts. At the same time, Secretary of Defense Cohen referred to levels of O&M funding when he claimed that "we have ...added almost a billion dollars to this year's budget to try to fix some of the deficiencies...in readiness". We have not been able to identify the extra billion dollars to fix readiness deficiencies. I should also note that recent revelations by the DoD Inspector General and the General Accounting Office with regard to the profound deficiencies in the Department's financial accounting mechanisms do not inspire confidence, even should the Department seek to address its most serious readiness shortfalls.

Because of the committee's long standing concern about continued under-funding of critical readiness accounts, Chairman Spence asked each of the military service chiefs to provide a list of unfunded priorities for fiscal year 1999. These lists reflect several billions of dollars the military services say they need to fully fund readiness requirements. The unfunded readiness priorities identified by the service chiefs include, for instance, \$463.5 million in real property maintenance for the Army; \$446 million for aviation spares, steaming days, ship depot maintenance, and real property maintenance for the Navy; \$92.7 million in depot maintenance and real property maintenance for the Marine Corps; and \$1.04 billion for spares, depot maintenance, engines, and real property maintenance for the Air Force. These shortfalls for just a few of our key readiness accounts are the projections for fiscal year 1999 alone.

In addition to the substantial readiness spending shortfalls reflected in the service chiefs unfunded requirements lists, the gap between core readiness requirements and resources continues to grow in account after account, despite past committee efforts to stem the tide. For example, even though the committee added approximately \$350 million in the fiscal year 1998 budget to arrest the backlog of depot maintenance and repair, the reported backlog is estimated to grow by \$293 million in fiscal year 1999. Although the committee added \$600 million in the real property maintenance and repair accounts last year, the fiscal year 1999 backlog is projected to grow by \$1.6 billion. The committee added \$562 million to the Navy and Air Force flying hour and spare parts accounts for fiscal year 1998, yet the unfunded requirements for next year reflect a projected shortfall of approximately \$250 million. I believe these are serious indicators of an erosion of funding for key readiness accounts.

As in the past, the committee remains committed to providing adequate funding to several readiness-critical accounts that, we believe, must be maintained in order to ensure the readiness of the military services. As an example of the committee's past commitment, from fiscal year 1996 through fiscal year 1998, the committee has increased funding for key readiness accounts by \$4.6 billion. This mark continues this trend by again recommending an \$802 million increase in the critical readiness accounts. This increase includes \$235 million for depot maintenance accounts; \$200 million for

aircraft spares; \$175 million for real property maintenance; and \$125 million for training center improvements. I remain convinced that increases in these critical areas are necessary to maintain current readiness.

Due to the Balanced Budget Agreement of 1997, Congress is not adding to the President's Defense Budget Request, as it has done in previous years. Accordingly, we will not be able to increase the overall O&M request. However, the Chairman's mark before us does keep faith with our commitment to uphold military readiness by re-prioritizing within the O&M budget to increase funding for the critical readiness accounts. We are able to do this by shifting funds from less critical administration and support accounts that have little or no impact on the ability of the armed forces to execute their warfighting mission.

As an example, a scrub of the budget request found many support and administrative accounts seeking increases from last year's funding levels, even though key readiness accounts continue their downward trend. Further, last year's defense authorization bill mandates a 5 percent per year reduction in management headquarters and administration functions. The committee found that, not only had many of these accounts not been reduced by the mandated 5 percent, but the Department has actually sought increases. In addition, the committee found significant "fact-of-life" savings in traditional areas such as bulk fuel costs, civilian personnel underexecution, foreign currency fluctuation, and others.

In addition to the funding issues, the mark contains a legislative package that will substantially improve how the DOD conducts its day to day business. As an example, there is a provision that would require the Department to significantly improve the manner by which it tracks and manages military readiness. I believe this is one of the more important provisions that we will recommend this year. It directly addresses the differences we have been hearing here in Washington from the leadership of the Pentagon on readiness and what we have been hearing from the military forces when we visit them in the field. The military leadership and the Congress must be provided with accurate, up-to-date data on military readiness.

The mark also contains a series of provisions that will compel DOD to stop wasting money on duplicative and redundant computer systems, require them to develop truly joint computer systems, and assist the Department in dealing with the Year 2000 problem.

Again this year, the mark includes a provision that would authorize \$35 million for impact aid for local school districts with large concentrations of children from military families.

Finally, the mark contains several provisions that would clarify notification requirements in existing law concerning the outsourcing of any function in the military services, a provision that would address concerns about the outsourcing of the program management of entire weapons systems, and a provision that would clarify last year's language concerning how private sector workloads are accounted for in the private sector. The mark also contains a series of provisions dealing with the Department's management of its civilian personnel. I believe these outsourcing and civilian personnel provisions are absolutely necessary to further clarify the law for the Department, which has repeatedly sought to evade or ignore this Committee's will and the letter of the law on these key issues.

I believe that the mark before you achieves the goals that we all share: providing the necessary resources to ensure force readiness and improving the quality of life for the men and women of our armed forces. And it accomplishes this in spite of the limited funding situation we face.