



PRESS RELEASE

House National Security Committee

Floyd D. Spence, Chairman

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March 17, 1998

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SPENCE CALLS FOR RENEGOTIATION OF BALANCED BUDGET AGREEMENT, INCREASED DEFENSE SPENDING

March 16—Chairman of the House National Security Committee Floyd Spence (R-SC) in a letter delivered yesterday to House Budget Committee Chairman John Kasich (R-OH) called for a renegotiation of the Balanced Budget Agreement “in order to begin building real growth into the defense budget.”

“Congress should take the initiative, if the President will not, to renegotiate the [Balanced Budget Agreement’s] defense spending caps in order to begin building real growth into the defense budget,” wrote Spence. As an initial step, Spence recommended that adjustments be made to the agreement in the near-term to at least cover the cost of inflation, without which, he asked, “How are the military services supposed to stabilize their downsized post Cold War force structure, protect quality of life and readiness, and end the decade-long procurement ‘holiday’ when they lose purchasing power every year?” Spence added, “...providing for inflation in the defense budget might stop some of the on-going hemorrhaging of the nation’s defense capabilities.”

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

A copy of the letter is attached.

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COMMITTEE ON NATIONAL SECURITY

U.S. House of Representatives

Washington, DC 20515-6035

ONE HUNDRED FIFTH CONGRESS

FLOYD D. SPENCE, SOUTH CAROLINA, CHAIRMAN

March 16, 1998

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ANDREW K. ELLIS, STAFF DIRECTOR

Honorable John R. Kasich
Chairman
Committee on the Budget
U.S. House of Representatives
Washington, D.C. 205 15

Dear Mr. Chairman:

Pursuant to the applicable provisions of the Budget and Impoundment Control Act and Rule X, clause 4(g) of the Rules of the House of Representatives for the 105th Congress, I am forwarding views regarding the national defense budget function (050) for fiscal year 1999.

The President's Budget for fiscal year 1999 proposes a defense spending level that, when adjusted for inflation, represents a decline of 1.0% from current spending levels. The fiscal year 1999 defense budget request represents the fourteenth consecutive year of declining spending and, when considered in constant dollars, it represents the lowest proposed defense spending level in over forty years.

Although Congress's decision to increase the President's defense budget each of the past three years has served to address some of the most serious near-term shortfalls in the Administration's defense program, the military services increasingly confront the most debilitating quality of life, readiness and modernization problems since the late 1970s. Doing "more with less" has become day-to-day standard operating procedure for the post Cold War world U.S. military.

The President's fiscal year 1999 defense budget request presents two immediate topline spending issues that Congress must address. First, for the second consecutive year, the Congressional Budget Office (CBO) and the Office of Management and Budget (OMB) have a large disparity in their estimates of the outlay implications of the President's defense budget request.

Following its review of the President's Budget, CBO has concluded that OMB understated defense outlays by \$3.6 billion in fiscal year 1999. Last year, CBO concluded

that OMB had underestimated defense outlays by \$5.6 billion in fiscal year 1998. Although CBO and OMB have traditionally had disagreements over the outlay implications of the President's defense budget request, the problem has gotten much worse over the past two years. I urge the Budget Committee to work with the Administration to develop a binding conflict resolution mechanism to resolve such disputes in advance of the annual submission of the President's Budget in the future. If such a mechanism or process is not agreed upon, I am at a loss to understand how Congress can address disputes of this magnitude within the constraints of the Balanced Budget Act of 1997's (BBA) spending caps.

If the budget resolution does not provide relief of some form from this outlay scoring problem, the National Security Committee will have to cut the President's defense budget request by at least \$5-7 billion in budget authority in order to meet the BBA's fiscal year 1999 outlay cap. Cuts of this magnitude, compelled solely as a result of a technical dispute between executive and legislative branch accountants, would be devastating to the military services' programs, strongly opposed by the Administration and, ironically, would do nothing to solve the scoring dispute between CBO and OMB. Accordingly, I recommend that the Budget Committee consider either directing the use of OMB's outlay estimates (i.e., directed scorekeeping) or, consistent with last year's resolution of the outlay scoring problem, providing additional outlays for the national defense function necessary to adjust to higher estimates.

The second immediate topline spending issue results from the fact that the President's defense budget request contains no funding for the costs of Bosnia operations next fiscal year or in future fiscal years. The President's Budget did contain a \$3.3 billion "wedge" in function 920 to pay for initiatives such as disaster relief and peacekeeping operations. On March 3, 1998, the President submitted to Congress a budget amendment to the fiscal year 1999 defense budget request for \$1.86 billion in emergency spending for Bosnia operations next fiscal year, in addition to a request for \$1.85 billion in emergency fiscal year 1998 supplemental appropriations to pay for Bosnia and Southwest Asia operations.

If the emergency designation on the fiscal year 1999 Bosnia budget amendment is not agreed to by Congress, or if the BBA's defense spending caps are not adjusted upward to accommodate this proposed additional spending, the National Security Committee will be compelled to pay for Bosnia operations by cutting at least \$3-4 billion in budget authority from the President's fiscal year 1999 defense budget request. As discussed relative to the outlay scoring problem, such cuts would be devastating to the military services' already underfunded quality of life, readiness and modernization programs and would be strongly opposed by the Administration.

Addressing these short-term problems in no way lessens the need, however, to begin working towards a more robust and sustainable long-term defense program. Several months ago economist Robert Samuelson observed that there has not been much discussion about the years of defense spending cuts because such discussion was "politically inconvenient" and because the cuts may have gone too far. Fixing what is wrong with the Administration's long-term defense program will take leadership and will be "politically inconvenient."

While the President's Budget for fiscal year 1999 has proposed more than \$100 billion in new domestic spending above the BBA's caps, it did not propose any increased spending for national defense. The "politically inconvenient" reality of fixing the nation's long-term defense program is that it will require increased spending. I agree with Speaker Gingrich's observation in a recent edition of the National Review that, "over the next five years, we should increase defense spending beyond the levels in the budget agreement. . . .For too long our military has lived off Reagan's defense buildup." Despite record low inflation, the President's five year defense plan falls \$13 billion short of keeping pace with inflation. Were the rate of inflation to increase even modestly to a rate consistent with the average of the last twenty years, the President's five year defense plan would fall almost \$100 billion short of keeping pace with inflation.

With CBO projecting a \$143 billion budget surplus over the next five years, including a \$9 billion surplus next fiscal year, in the short-term I recommend increasing defense spending to levels that at least keep pace with inflation. Otherwise, how are the military services supposed to stabilize their downsized post Cold War force structure, protect quality of life and readiness, and end the decade-long procurement "holiday" when they lose purchasing power every year? Increasing defense spending to cover the costs of inflation will not provide long-term solutions to the serious shortfalls the military services are facing, but it would represent an important initial commitment to preventing any further widening of the dangerous gap that exists between the nation's military strategy and the resources and forces necessary to implement it.

While providing for inflation in the defense budget might stop some of the on-going hemorrhaging of the nation's defense capabilities, I believe Congress should take the initiative, if the President will not, to renegotiate the BBA's defense spending caps in order to begin building real growth into the defense budget – growth which has not existed for fourteen years. Real growth in the defense budget would reverse the years of decline and begin the much needed and long overdue revitalization of our national defenses.

The committee seeks no changes to the current system of military retirement or veteran entitlements. As a component of personnel compensation for the men and women of our armed forces, military retirement benefits have become an increasingly important quality of life issue. Accordingly, the committee would not support changes to military retirement benefits or delay in the effective date for the annual military retirement cost of living adjustment (COLA). Any such change would adversely affect the morale of our armed forces and could degrade the ability of the military services to recruit and retain qualified men and women.

Over the past several years there has been a growing awareness of the need to improve access to military health care, particularly for military retirees. After several years of negotiations, Congress last year passed the first Medicare subvention demonstration program. Although the Medicare subvention demonstration program is just now getting underway at six sites around the country, interest in even more comprehensive options, such as providing

FEHBP to military beneficiaries who are eligible for Medicare and therefore not eligible to join the TRICARE program, remains strong. While the National Security Committee continues to work with the Department of Defense to ensure the highest quality military health care with the greatest access possible for all categories of beneficiaries, and while I support providing FEHBP to Medicare eligible military retirees and their dependents, there are substantial cost implications for expanding DOD-sponsored health care entitlements.

CBO currently estimates that additional entitlement authority of \$1.9 billion in each of the next five years would be necessary in order to allow Medicare eligible military retirees and their dependents to enroll in FEHBP. If FEHBP were expanded to include all military beneficiaries, CBO has estimated that between \$1.5-7.3 billion in increased entitlement authority would be required annually, depending on the number of beneficiaries who elect enrollment. It should be noted that some CBO cost estimates assume savings resulting from the elimination of most of the existing military health care system and infrastructure which, at a minimum, raises important issues concerning the long-term maintenance of military medical readiness.

As you know, the only entitlement programs over which the National Security Committee has jurisdiction involve military retirement and some veteran's educational benefits, neither of which would provide viable offsets to the costs of any initiative to expand military health care benefits. Accordingly, I recommend that additional entitlement authority be provided for the national defense (050) budget function sufficient to permit the House to consider legislation that provides more comprehensive health care options to Medicare eligible military retirees and their dependents.

I appreciate the opportunity to express my views as the Chairman of the Committee on National Security. 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 one additional member of the Committee on National Security.

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