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COMMITTEE ON ARMED SERVICES

U.S. House of Representatives

Washington, DC 20515-6035

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March 9, 2018

The Honorable Steve Womack
Chairman, Committee on the Budget
U.S. House of Representatives
207 Cannon House Office Building
Washington, D.C. 20515

Dear Chairman Womack:

Pursuant to section 301(d) of the Congressional Budget Act of 1974, and clause 4(f) of rule X of the Rules of the House of Representatives for the 115th Congress, we are forwarding to you the views of the Committee on Armed Services regarding the National Defense Budget Function (050) for fiscal year 2019 (FY19).

As the Chairman and Ranking Member of the Committee on Armed Services, we are encouraged to see that your committee intends to focus on important national priorities such as national defense. The Committee on Armed Services' emphasis on restoring readiness shortfalls while enacting significant reforms affecting the Department of Defense has been the hallmark of our activity in recent years.

The committee takes our responsibility to oversee national defense efforts very seriously. As discussed below, we will continue to pursue solutions to restore the readiness of our Armed Forces both in the current fiscal year and in the future, review the progress of past reform activities while implementing new reforms as our oversight discovers ineffective processes within national defense activities, and ensure that additional funds received will be properly executed.

The Need for Restoring National Defense

The National Defense Authorization Act for Fiscal Year 2017 (section 941) required the Secretary of Defense to develop a National Defense Strategy (NDS) and to submit it to the congressional defense committees every four years. This strategy was delivered to Congress last month. In announcing the submission of the NDS, Secretary Mattis stated:

“[t]he world, to quote George Shultz, is awash in change, defined by increasing global volatility and uncertainty with Great Power competition between nations becoming a reality once again. Though we will continue to prosecute the campaign against terrorists that we are engaged in today, but Great Power competition, not terrorism, is now the primary focus of U.S. national security.”¹

But Secretary Mattis also noted:

“[O]ur competitive edge has eroded in every domain of warfare, air, land, sea, space and cyberspace, and it is continuing to erode....[r]apid technological change, the negative impact on military readiness is resulting from the longest continuous stretch of combat in our nation's history and defense spending caps, because we have been operating also for nine of the last 10 years under continuing resolutions that have created an overstretched and under-resourced military.”²

Although the United States military remains the greatest fighting force in the world, it still has capability gaps in critical areas:

Air Dominance

Air dominance permits the conduct of operations without effective interference from an opponent's air and missile threats. It also can reduce casualties, shorten the duration of conflict, and enable the achievement of other military objectives. For example, air dominance facilitates intelligence, surveillance, and reconnaissance, tactical lift, aerial refueling, and strike missions.

Indeed, since the end of the Cold War, the United States has benefited from air dominance in all our military engagements. However, in future contingencies beyond the counterterrorism fight, air dominance is no longer assured – or even likely. The proliferation of highly sophisticated and advanced integrated air defense systems will challenge even the most advanced United States weapon systems. At the same time, due to shortfalls in defense spending, the United States' capacity, capability, and readiness of our tactical air forces is shrinking. General Glenn Walters, the Assistant Commandant of the Marine Corps, noted in testimony before our Committee:

¹ Remarks by Secretary Mattis on the National Defense Strategy. January 19, 2018.

² Ibid.

“The impact of reduced funding levels on our depot level maintenance capacity still resonates today. We have temporarily reduced the number of aircraft assigned to our fighter-attack and heavy lift squadrons. We simply do not have the available aircraft to meet our squadrons’ requirements. This means that flight hour averages per crew per month are below the minimum standards required to achieve and maintain adequate flight time and training and readiness levels.”³

Gen Wilson, the Vice Chief of Staff of the Air Force testified:

“Today we find ourselves less than 50 percent ready across our Air Force and we have pockets that are below that.”⁴

Vice Admiral Mike Shoemaker, the Commander, Naval Air Forces, testified before the committee that less than half of our F/A-18 fighters were mission capable at the beginning of October 2017, largely due to maintenance issues and a lack of needed spare parts. In order to mitigate these threats and challenges we must invest in the near-term readiness recovery of the aviation community through adequate funding of depot and unit level maintenance as well as the building up the supply of parts and spares. At the same time, it is important that we invest in the future aviation readiness through the procurement of 5th generation strike fighters that will be capable of penetrating enemy air defenses.

As to U.S Air Force projection forces, we continue to employ aged bombers, and our tanker forces were designed and constructed in the 1950s. The U.S. Air Force is able to sustain these forces, but maintenance costs are steadily increasing. Fortunately, industry is prepared to respond and replace our bombers and tankers. Reliable funding is needed for the new Long Range Strike Bomber (B-21), currently in development. In addition, the first deliveries of KC-46A tanker aircraft will begin later this year.

Ground Forces

Americans rightly expect that when we send troops into battle, our ground forces should have the best equipment, providing them with the greatest advantage. However, as General Daniel Allyn, then the Vice Chief of Staff of the Army, testified in 2017:

“Our Army requires modernized equipment to win decisively, but today we are outranged, outgunned and outdated. We have prioritized our near-term readiness to the detriment of equipment modernization and infrastructure upgrades, assuming risk and mortgaging our future readiness.”⁵

³ Testimony of General Glenn Walters, USMC, Assistant Commandant of the Marine Corps, before the House Armed Services Committee, “State of the Military,” February 7, 2017.

⁴ Testimony of General Stephen W. Wilson, USAF, Vice Chief of Staff of the Air Force, before the House Armed Services Committee, “State of the Military,” February 7, 2017.

⁵ Testimony of General Daniel Allyn, USA, Vice Chief of Staff of the Army, before the House Armed Services Committee, “State of the Military,” February 7, 2017.

Ongoing and emerging missions have kept operations at elevated levels, while end strength cuts have reduced available forces to support these operations. Though the Army has tried to reverse this readiness decline, additional funding is critically needed to grow the Army and the Marine Corps. Otherwise, our ability to rapidly and successfully respond to future contingencies is at risk. Creating well-trained Army brigades is a complex endeavor that requires something we cannot purchase, but can easily lose – time. Growing end strength will take 5-10 years. This is why it is critical to continue responsible end strength increases. Otherwise, the Army and the Marine Corps will continue to lose their competitive advantages in high-end combat. The ability to achieve ground combat overmatch through superior combined arms maneuver warfare is being challenged by competitors who are developing capabilities and techniques specifically designed to counter areas in which the United States enjoys ground force advantage. Without funds to adequately grow and train forces, our advantage erodes. Additional funding in FY19 would allow the Army to accelerate the prepositioning of modernized equipment to Europe, grow a new Armored Brigade Combat Team, and build a new combat aviation brigade to reinforce the U.S. deterrence posture in Europe against further Russian aggression along NATO's eastern flank.

Naval Presence

Our naval presence projects power across the globe, allowing for the freedom of movement for both commercial and defensive maneuvers. But when we cannot maintain the limited number of ships in our fleet, our ability to project power diminishes substantially. As Admiral William F. Moran, USN, Vice Chief of Naval Operations, explains:

“[O]ur shipyards and aviation depots are struggling to get our ships and airplanes through maintenance periods on time. In turn, these delays directly impact the time Sailors have to train and hone their skills prior to deployment...It has become clear to me that the Navy's overall readiness has reached its lowest level in many years.”⁶

Current naval operations have depleted the reserve capacity of our fleet. With operations continuing to rise in the Pacific and the Middle East, sailors do not have adequate time to train at home station prior to deployment. This excess operational tempo has led to significant naval mishaps. In 2017 alone, both the USS John S. McCain and USS Fitzgerald were involved in collisions that the Navy concluded were avoidable. Terms like “complacency,” “over-confidence” and “lack of procedural compliance” were used to explain the mishaps.⁷ The pace of operations will continue to debilitate naval readiness until sufficient training is provided to our sailors and pilots prior to deployment. Addressing current readiness challenges needs to be concurrently supported by an increase in future readiness and additional naval force structure and manpower.

⁶ Testimony of Admiral William F. Moran, USN, Vice Chief of Naval Operations, before the House Armed Services Committee, “State of the Military,” February 7, 2017.

⁷ “Navy Releases Collision Report for USS Fitzgerald and USS John S McCain Collisions”, November 1, 2017, http://www.navy.mil/submit/display.asp?story_id=103130

Munitions

“Key precision guided munitions shortfalls are exacerbated by ongoing operations and may impact potential contingency response. Additionally, our current global inventories are insufficient for theater missile defense, standoff, and air-to-air munitions needs.”⁸

Our stocks of precision guided munitions and other critical munitions have been depleted. The military services have significant requirements for replacement ammunition and munitions. Further, the committee is concerned about the munitions industrial base. In many cases, there is only a single source for a component system, and the Department cannot improve capacity. After years of sequestration and continuing resolutions, the military services have been severely limited in what they can reasonably afford regarding munitions modernization and in building munition inventories. The military has resorted to modifying existing systems. There have been few competitive opportunities, and constrained resources have limited innovation. Failing to address munitions requirements in FY19 would prevent replenishment of war reserve stocks, and prevent increases in production capacity for munitions such as Hellfire missiles, JDAMs, and small diameter bombs. Lead times for these critical munitions can be as long as 18 months, so it remains critical to start increasing investment in these program areas now.

Facilities Sustainment

“Meanwhile, our shore infrastructure has become severely degraded and is getting worse because it has been a repeated bill payer for other readiness accounts in an effort to maintain afloat readiness. Consequently, we continue to carry a substantial backlog...”⁹

Additional funding to sustain and recapitalize facilities is essential. Absent immediate additional funding to operation and maintenance and military construction (MILCON) accounts, our piers, runways, mission-critical training facilities and quality of life functions will erode, increasing the risk of mishaps, serious injury and health hazards to personnel. According to recent statements from all four Vice Chiefs, the readiness of our operating forces has been severely compromised due to degraded, inadequate, and failing infrastructure and facilities. Recent budget shortfalls have forced the services to reduce funding in facilities sustainment, restoration, modernization, and MILCON accounts to the point of extreme risk for mission failure. Proposed increases in demolition funding are essential to replacing aging infrastructure and unneeded buildings and to enabling the services to focus their limited sustainment funding on enduring facilities. This will save money in the near-term by reducing the extraordinary backlog of facility maintenance and repair across the services. As these investments are delayed, the future corrective actions become exponentially more costly.

⁸ Testimony of General Joseph Dunford, Chairman of the Joint Chiefs of Staff, before the House Armed Services Committee, “The Fiscal Year 2017 National Defense Authorization Budget Request from the Department of Defense”, March 22, 2016.

⁹ Testimony of Admiral William F. Moran, USN, Vice Chief of Naval Operations, before the House Armed Services Committee, “State of the Military,” February 7, 2017.

Nuclear Arsenal and Deterrent

“While our nuclear forces remain safe, secure, and effective, we will eventually require significant investment to ensure robust, reliable, flexible, and survivable nuclear readiness and deterrence well into the future.”¹⁰

Documents and testimony provided to the Committee demonstrate that shortfalls remain across the nuclear complex. In particular, a \$3.7 billion backlog of deferred maintenance and decrepit infrastructure was identified across the U.S. nuclear weapons enterprise. Such infrastructure includes one-of-a-kind production facilities that are significantly past their design life and that have lacked adequate maintenance funding for decades. Critical safety failures here would take these facilities off line for possibly years and imperil vital nuclear warhead maintenance activities. Delayed investment in the safety of our nuclear complex is inconsistent with the expectations and trust the American public and our allies place in our stewardship of these weapons.

Defending National Security Space

“The national security space enterprise, which evolved in an uncontested environment, is not resilient enough to deliver joint warfighting effects in and through today’s contested space domain.”¹¹

We risk the ability to maintain our space capabilities (Intelligence, Surveillance, and Reconnaissance; communications; Global Positioning Systems) for the warfighter during a conflict. Potential adversaries have taken significant steps in developing counter space capabilities, which would threaten our space system. In addition, research and development investments in space are at a historical 30-year low point. Delayed investments will put us further behind in the face of a growing threat, which is already outpacing our space defense capabilities, as well as weaken a unique and critical industrial base.

Perspectives on the Current Budget Agreement

“Stable budgets and increased funding are necessary because of four external forces acting on the Department at the same time...Each of these four forces – 16 years of war, the worsening security environment, contested operations in multiple domains, and the rapid pace of technological change – require stable budgets and increased funding to provide for the protection of our citizens and for the survival of our freedoms. Because as expensive as it is for the American people to fund the military, it is far less costly in lives and treasure than a conventional war that we are unable to deter because we are seen as weak.”¹²

¹⁰ Testimony of General Stephen W. Wilson, USAF, Vice Chief of Staff of the Air Force, before the House Armed Services Committee, “State of the Military,” February 7, 2017.

¹¹ Testimony of General Stephen W. Wilson, USAF, Vice Chief of Staff of the Air Force, before the House Armed Services Committee, “State of the Military,” February 7, 2017.

¹² Testimony of James N. Mattis, Secretary of Defense, before the House Armed Services Committee, “The Fiscal Year 2018 National Defense Authorization Budget Request from the Department of Defense,” June 12, 2017.

The funding levels provided by the Bipartisan Budget Act of 2018 for our national defense will begin to redress our readiness shortfalls. The 2018 agreement provided the Department with the increases Secretary Mattis requested. However, Congress will need to follow the fiscal cycle through to conclusion by properly providing appropriations in a timely manner for the Department to execute these funds effectively.

“Let me be clear: As hard as the last 16 years of war have been on our military, no enemy in the field has done as much to harm the readiness of U.S. military than the combined impact of the Budget Control Act's defense spending caps, worsened by operating for 10 of the last 11 years under continuing resolutions of varied and unpredictable duration.”¹³

Continuing the Readiness Recovery

We note that it will take years to address the readiness shortfall. Therefore, we are pleased to see that the President's Budget request not only matches the funding levels set by the Bipartisan Budget Act of 2018 for fiscal year 2019, but maintains higher levels of funding through the Future Years Defense Plan (FYDP). While changes in the security environment must always be considered when formulating budgets, providing the Department and the defense industrial base with a reliable budget that extends into the outyears will enable more cost-effective decision-making. General Dunford cited a specific example:

“I'd like to just address that precision munitions challenge. We, today, have requested resources that get to the maximum amount that industry can produce. But there's a caveat to that. Industry can produce at the level of prediction that they have right now. In other words, they can only produce so much today based on what we're able to tell about tomorrow.

“So one of the areas the Secretary has highlighted is the need for predictability and stability in the future as well. And the only way we're going to get around the challenge is that's a great example of why we need stable, predictable budgets because we actually can't buy the precision munitions we need until we do have stable, predictable budgets at adequate levels.

“So again, industry is telling us today we're producing at the maximum rate we can -- we can. But if we were able to tell them what resources would be available two, three, four, five years down the road, they would be able to increase the industrial capacity and actually address that particular issue. So that's just one of the second order effects of the challenge we've been in living year-to-year with a number of [Continuing Resolutions] that we've had is we're not able to give industry the predictability they need to actually meet our requirements.”¹⁴

Retaining adequate budget levels in the outyears will be critical to continuing the positive trajectory the Bipartisan Budget Act of 2018 has provided for readiness restoration. The

¹³ Testimony of James N. Mattis, Secretary of Defense, before the House Armed Services Committee, “The National Defense Strategy and the Nuclear Posture Review,” February 6, 2018.

¹⁴ Testimony of General Joseph F. Dunford Jr., Chairman, Joint Chiefs of Staff, before the House Armed Services Committee, “The Fiscal Year 2018 National Defense Authorization Budget Request from the Department of Defense,” June 12, 2017.

committee is also encouraged by the budget request's proposal to realign OCO funds within the base budget starting in FY20. As OCO activities become enduring requirements over time, those requirements should be funded in the base budget. Increases to base funding levels in the outyears will accommodate the realignment of funding for these enduring requirements, and the President's budget request allows for this accommodation over the life of the FYDP. While an adjustment to the funding caps in the Budget Control Act will still be required for fiscal years 2020 and 2021, we support early congressional action on an applicable budget agreement.

Committee Legislative Activities

The primary legislative vehicle of the Committee on Armed Services is the National Defense Authorization Act (NDAA). The NDAA contains all of the essential authorities required to sustain our military and is the chief mechanism through which Congress exercises its Article I, Section 8, responsibilities to raise and support armies and to provide and maintain a navy. The importance of this responsibility has ensured that for 57 consecutive years this bill has been signed into law. We intend to do the same again this year and, working with our partners in the Senate, our goal is to file and pass a conference report before the end of the current fiscal year. As we develop the NDAA for fiscal year 2019, the committee will continue its practice of conducting significant hearings, briefings, and roundtable discussions to examine the current security environment, to evaluate proposals for reform, and to assess the military requirements supporting a coherent strategy.

The committee continues to emphasize defense reform. We must improve the agility of our Armed Forces to address the complex security challenges facing our country, while also getting more value for the taxpayer dollar. Over the past three years, eleven major defense reform packages have been enacted through the NDAA:

- Military compensation and retirement reform to put these programs on fiscally responsible paths;
- Military healthcare reform that improves medical readiness, and expands access while ensuring a sustainable benefit;
- Defense commissary system reform to preserve the benefit, while also reducing reliance on appropriated funds;
- Uniform Code of Military Justice (UCMJ) reform—the most comprehensive in 30 years—that modernizes the UCMJ to improve efficiency and transparency, while also enhancing victims' rights;
- Acquisition reform to get technology to the warfighter faster and more efficiently;
- Senior leadership reform, including reductions in overhead and the number of flag officers;
- Organization and management reform that increases accountability, oversight, integration, and strategic thinking within the Department of Defense;
- Acquisition reform to add oversight to service contracts, allow the Department to use online commercial sites when economically feasible, and reduce the backlog of incurred cost audits;

- Establish a long-term effort to slim down acquisition regulations, removing unnecessarily prescriptive and obsolete requirements from the U.S. code;
- Defense data transparency to incorporate enterprise-wide data analyses into decision making and oversight; and
- National Security Space reform, empowering U.S. Air Force Space Command as the sole authority for organizing, training, and equipping all U.S. Air Force space forces.

These reforms are beginning to generate real savings. As noted by the Department, “[i]n FY 2019, the Department achieves an additional \$2.9 billion in savings from the ongoing reform initiatives started in prior years.”¹⁵ Additionally, “[f]or a number of years, the [Unified Medical Budget] has been relatively flat, the result of slower health care cost growth along with aggressively pursuing both internal efficiencies and **meaningful benefit reform legislation.**”¹⁶ Even more importantly, however, these reforms put the Department in a better position to respond to a rapidly changing, complex security environment. The committee will continue to review operations within National Defense as part of the development of this year’s NDAA, while providing oversight on the significant number of reform activities undertaken over the past three years.

Financial Improvement and Audit Remediation

A responsive, healthy organization must also be able to do self-assessment. For more than 20 years, the Comptroller General of the United States has consistently identified the financial management of the Department of Defense as a high-risk area. The Department’s inability to track and account for billions of dollars in funding and tangible assets continues to undermine its management approach. It also creates a lack of transparency that significantly limits congressional oversight. The Department’s inability to produce auditable financial statements undermines its efforts to reform defense acquisition and to realize efficiencies. Without these objective tools, neither the Department nor Congress can verify that greater value is being created. As a result, it was this committee that mandated the Department implement the Financial Improvement and Audit Readiness plan in the National Defense Authorization Act of 2010 (Public Law 111-84).

In recognition of the Department deeming itself ready for audit by the statutory deadline of September 30, 2017, the National Defense Authorization Act of 2018 (Public Law 115-91) modified the reporting requirements to no longer focus on audit readiness; rather, to prepare to act upon future audit findings. Therefore, future requirements will focus on the remediation of those audit findings. The Department is well aware that problems exist within financial management, and are looking to the audit to determine where those shortfalls exist so that they may correct those internal processes.

Understanding the importance of this activity, the committee’s first hearing of 2018 was on the Department’s progress of the financial audit and anticipated results of the first full

¹⁵ Defense Budget Overview, Office of the Undersecretary of Defense (Comptroller), February 2018, Pg. 7-2.

¹⁶ *ibid*, Pg. 5-4.

financial audit on the fiscal year 2018 financial statements. The results of this audit are required to be delivered to Congress no later than March 31, 2019. As the audit results become evident, the committee will continue its dialogue with the Department to understand identified deficiencies and how those will be resolved.

Mandatory Spending – Survivor Benefit Plan/ Dependency and Indemnity Compensation (SBP/DIC)

We would again like to bring to your attention an issue that involves a relatively small amount of funding, yet due to the limited mandatory spending levels within our jurisdiction we are not able to fully resolve.

The Department of Veterans Affairs pays a benefit called Dependency and Indemnity Compensation (DIC) to a surviving spouse and dependent children if a member dies of a service-connected cause. This includes deaths while on active duty and after retirement if the cause of death is due to an injury or disease contracted while the member was on active duty. The Survivor Benefit Plan (SBP) is a form of insurance provided by the Department of Defense to military retirees that does not require service-connected death or disability for survivors to receive payments. As originally created, the military Survivor Benefit Plan (SBP) was designed to provide an annuity to the survivors of retirement-eligible military personnel. However, Congress expanded the coverage to the survivors of individuals who die while on active duty, effective September 10, 2001. Under these provisions, the surviving spouses of active duty personnel who die are provided an annuity, but do not contribute any payments to receive that annuity. If the survivor of a military retiree is also eligible for and receives DIC, the SBP payment is reduced dollar for dollar by the DIC amount.

The committee, whenever possible, has attempted to bridge the gap. These gap payments are known as the Special Survivor Indemnity Allowance (SSIA). Since the FY 2009 NDAA, monthly SSIA stipends have been authorized in an attempt to make up the loss of reduced SBP payments, but not to the full extent. The average reduction of SBP due to the DIC entitlement is approximately \$1,250 monthly; however, the SSIA stipends have ranged from \$50-\$310. In the FY 2018 NDAA, the monthly stipend was set at \$310 with an increase in COLA in the outyears. While this was a major achievement, this was only done internally by significantly increasing TRICARE pharmacy co-pays through FY 2026. This source of mandatory spending is unavailable to our committee for any future adjustments.

There is bipartisan support to enact a repeal of this offset. As you know, you and Ranking Member Yarmuth (and more than 200 other members) are cosponsors for the Military Surviving Spouses Equity Act (H.R. 849). Repeal of the offset is currently estimated to cost approximately \$8 billion in mandatory spending over the next 10 years. As you are aware, we have no flexibility to generate this amount of savings within the mandatory allocation of funds for National Defense, so we would like to work with you to increase direct spending levels for the committee to resolve this issue.

Summary

The committee is encouraged by the administration's current budget submission for the national defense budget function. Supporting the funding levels for current and future requirements will be necessary to recover readiness shortfalls, and this support should be specifically identified in the upcoming budget resolution. Congress needs to provide our Armed Forces with stable, predictable funding. If we fail, Secretary Mattis warns the following:

"I cannot care more about our country's defense than this Congress, for it is Congress alone which has the constitutional authority to raise and support armies and to provide and maintain a navy. We need Congress back in the driver's seat, not in the spectator's seat of the Budget Control Act's indiscriminate and automatic cuts.

"I know that in time of a major war, Congress will provide our military with all it needs. But money at the time of crisis fails to deter war, and you know we would be at that point to have nothing -- no time to prepare, as it takes months and years to produce the munitions, the training and readiness required to fight well."¹⁷

In closing, we appreciate the opportunity to express these views on behalf of the Committee on Armed Services. We look forward to working with you and the members of the Committee on the Budget to construct a budget plan that reflects our commitment to meeting emerging threats and securing our national defense.

Sincerely,



William M. "Mac" Thornberry
Chairman



Adam Smith
Ranking Member

cc: The Honorable John Yarmuth, Ranking Member, Committee on the Budget

¹⁷ Testimony of James N. Mattis, Secretary of Defense, before the House Armed Services Committee, "The National Defense Strategy and the Nuclear Posture Review," February 6, 2018.