

**DEPARTMENT OF DEFENSE APPROPRIATIONS
FOR FISCAL YEAR 2005**

MONDAY, MARCH 1, 2004

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:31 a.m., in room SD-192, Dirksen Senate Office Building, Hon. Ted Stevens (chairman) presiding.
Present: Senators Stevens, Burns, Inouye, and Byrd.

DEPARTMENT OF DEFENSE

**STATEMENT OF HON. DOV S. ZAKHEIM, Ph.D., UNDER SECRETARY OF
DEFENSE (COMPTROLLER)**

**ACCOMPANIED BY LIEUTENANT GENERAL JAMES E. CARTWRIGHT,
U.S. MARINE CORPS, J-8, JOINT CHIEFS OF STAFF**

OPENING STATEMENT OF SENATOR TED STEVENS

Senator STEVENS. Good morning, Mr. Secretary. I take it we can assume from your presence that it was a friendlier dog than originally thought. Happy to have you back with us.

Dr. ZAKHEIM. Thank you, Mr. Chairman.

Senator STEVENS. As we meet today, our servicemen and women remain engaged in critical missions in Iraq, Afghanistan, and around the globe. They are the ones that are fighting and winning this global war, the war on terrorism. Since this time last year, we have removed a dangerous, brutal tyrant in Iraq. Sadly, more than 500 members of our armed services have lost their lives in this struggle. The families of those lost should know that their loved ones have changed history for the good, have liberated a nation of 25 million people, and made our Nation more secure.

This is the first of 10 hearings this subcommittee will hold to review the Defense Department's budget request. We thank you for agreeing to change the date. We had a conflict before. The President's request includes \$401.7 billion for the Department of Defense (DOD), a 7 percent increase over fiscal year 2004. That request reflects the President's commitment to prosecute the global war on terrorism. It balances the military's long-term needs for transformation and modernization with the need to conduct the current operations around the globe. The budget emphasizes readiness and training and provides for quality of life for our troops.

The request continues several years of solid increases in the Defense Department budget. The cumulative growth in the Defense Department's budget over the last 3 years has been 33 percent.

Some say that this budget should include the fiscal year 2005 contingency costs for terrorism because those costs are not known today. Another word for "contingency" is "unpredictable." The situation is too dynamic, too unpredictable to build a reliable budget 18 months in advance. I will have some questions about that as we go forward, Dr. Zakheim.

Before you make your full statement, which is a part of the committee's record automatically now, I would turn to my colleague and co-chairman from Hawaii for his opening remarks.

STATEMENT OF SENATOR DANIEL K. INOUE

Senator INOUE. Thank you very much.

This morning I want to join my chairman in welcoming you, Dr. Zakheim, as the first witness before the committee. It is a pleasure to join my colleague and friend Chairman Stevens as we begin this review.

Incidentally, this is the 24th year that our chairman has presided over this subcommittee, and he and I have been together throughout this time and I for one think it has been a great partnership.

As we turn our attention to the request of fiscal year 2005, we see a regular defense appropriation request that will exceed \$400 billion. Mr. Chairman, I probably do not need to remind you of this, but in your first year as chairman President Ronald Reagan offered a request for \$200 billion to this subcommittee. So here we are almost 25 years later and the defense budget has just about doubled.

Of course, this request that we are considering today does not include funding for our overseas commitments in Afghanistan and in Iraq, so unavoidably the total defense will exceed much more than \$400 billion before the end of the fiscal year.

Dr. Zakheim, since this administration established itself the defense appropriations request has increased by more than \$100 billion or 35 percent, and that does not include the cost of terrorism. As a result, many of our colleagues wonder whether this year's increase of \$25.5 billion on top of the estimated \$50 billion supplemental that will likely be required to support our forces in Iraq is really necessary. I hope in your testimony today you can explain why the increase you are requesting is essential.

In addition, my colleagues want to know how the administration intends to proceed with the many new benefit programs that have been established over the past few years, particularly health care for our Reserve families.

Finally, I have been asked by my colleagues if we will be able to afford all the conventional weapon systems that are in development. They question this because your budget reserves most of the increases in investment programs for space and missile defense. So, Dr. Zakheim, I hope you will be able to address these issues today before the committee.

Mr. Chairman, it is good to be back here with you again, sir.

Senator STEVENS. Thank you.

Senator Byrd, do you have a statement, sir.

STATEMENT OF SENATOR ROBERT C. BYRD

Senator BYRD. Thank you, Mr. Chairman. I will not have a statement at this time except to welcome Dr. Zakheim and I look forward to his testimony. Thank you.

Senator STEVENS. General Cartwright, we are happy to have you also with us.

Mr. Secretary, do you have a statement for us?

Dr. ZAKHEIM. Yes, I do, Mr. Chairman.

Senator STEVENS. Would you pull that mike up a little bit, please.

Dr. ZAKHEIM. Is that better, sir?

Senator STEVENS. Thank you.

Dr. ZAKHEIM. Mr. Chairman, Senator Inouye, Senator Byrd: First I want to apologize for sounding like sandpaper. I do have some kind of flu and maybe it is better that we are sitting as far apart as we are. Poor General Cartwright here is a little closer to me, but I hope he will not catch anything.

I want to thank you for the opportunity to discuss President Bush's fiscal year 2005 Department of Defense budget with you. Because the committee and its staff have received considerable information in support of the budget request, I am going to limit my statement to key issues that are related to my direct responsibilities as Under Secretary of Defense, Comptroller.

Last week, actually the week before, I visited Afghanistan and Iraq and I would like to report that our troops there continue to perform magnificently. They appreciate the steadfast support that is given to them by the Congress, and we continue to witness progress in both of those countries. We also enjoy the full cooperation of our allies and partners as we work with Iraqis and Afghans to provide for their security, stability, and prosperity.

I especially want to note the success of our Provincial Reconstruction Teams, the so-called PRT's, in Afghanistan and the contribution of our allies to PRT's. I visited the North Atlantic Treaty Organization (NATO) German PRT in Kunduz. The German forces are doing a marvelous job and are well liked by the local townspeople. In Iraq, I visited the lead elements of the Japanese contingent in As-Samawah, the Spanish brigade in Ad-Diwaniyah, and the Polish multinational division headquarters in Al-Hillah.

These units are having a major, positive impact on the local populace and are demonstrating that the international community shares America's desire to help Iraq emerge from 30 years of dictatorial darkness.

For the current fiscal year, our fiscal year 2004 supplemental appropriations provided sufficient resources to enable the Department to finance its incremental costs for operations in Iraq, Afghanistan, and the global war on terror through the end of September. We will continue to provide service support and transportation for our allies who are contributing forces to coalition operations in Iraq, but who nevertheless need some financial assistance.

We cannot yet determine the scope of the United States (U.S.) operations in Afghanistan and Iraq in fiscal year 2005. The President's request therefore does not reflect possible incremental costs of those operations. It is extremely difficult to estimate what de-

mands we might have to meet later this year and next year, particularly after the election in Afghanistan and after sovereignty is transferred to the Iraqi people, roughly in the June-July timeframe. Depending on the circumstances, we could face the need for either more or fewer troops and more or less intensive operations.

I should also note that there is a 3-month lag in the availability of our data for actual costs in Afghanistan and Iraq. As of today, we only have figures for the costs of operations in November. Thus we will not know until the fall what our actual costs were for the summer, when sovereignty will have reverted to the Iraqi people.

The Department does not anticipate a further request for DOD supplemental appropriations during the rest of calendar year 2004. Therefore, for several months into fiscal year 2005 the Department will need to cover its incremental costs by drawing down appropriated funds that were budgeted for expenditure later in that fiscal year. We have done that in the previous two fiscal years and we can do so again in fiscal year 2005 as long as the Congress moves quickly to approve a supplemental early in the next calendar year.

One of the most important ways in which the Congress can support the global war on terrorism is to support three special authorities we have requested. The first one is for \$500 million to train and equip military and security forces in Iraq, Afghanistan, and friendly nearby regional nations, to enhance their capability to combat terrorism and support U.S. operations in Iraq and Afghanistan. It is critical that this authority include security forces because the terrorism threat in Iraq is inside its borders. Security forces, not the New Iraqi Army, play the primary role in confronting this threat.

The second authority is the Commander's Emergency Response Program (CERP) for \$300 million to enable military leaders in Iraq and Afghanistan to respond to urgent humanitarian relief and reconstruction needs. This has been a remarkably successful program. With quick turnaround projects averaging about \$7,000 each, commanders not only help people in their operations area, but also gain their support in defeating terrorists and building themselves a better future. As we have already done in fiscal year 2004, we propose to expand the CERP to Afghanistan, as well as to continue the program in Iraq.

Finally, we are requesting authorities for increased drawdown, \$200 million, under the Afghan Freedom Support Act, which would provide additional help for the Afghan National Army (ANA). In the current pivotal year, this authority is critical for advancing democracy and stability in Afghanistan. During my visit there, everyone I met gave very high marks to the professionalism and competence of the ANA.

The President's fiscal year 2005 budget does not request specific appropriations for these three authorities and therefore the Department would need to reprogram funding to use them. This underscores the importance of Congress increasing the Department's general transfer authority to \$4 billion, which would still represent just 1 percent of total DOD funding.

Higher general transfer authority would also give us a greater ability to shift funds from less pressing needs to fund must-pay

bills and emerging requirements. As we have seen in the past 3 years, such requirements have become a constant feature of our military programs. And as was mentioned just before, it is not all that long ago that our budget was in the vicinity of \$200 billion, and the general transfer authority that we now have essentially relates to that timeframe. So that if we are asked to be more responsible, and rightly asked to be more responsible, about managing our cash, we need to have the ability to do so in a reasonable way.

One other authority would be especially helpful, given the uncertainty we face in the global war on terrorism. We need to convert operations and maintenance to a 2-year appropriation account. This would preclude wasteful end-of-fiscal-year scrambling, help us cover emerging requirements, and enhance our ability to derive the very best value from every appropriated dollar.

The President's fiscal year 2005 budget reflects the administration's continuing commitment to our military men and women and their families. It requests a 3.5 percent base pay raise and completes the elimination of average out of pocket housing costs for military personnel living in private housing. Prior to fiscal year 2001, the average service member had to absorb over 18 percent of these housing costs.

The budget also sustains the excellent health care benefits available to military members, retirees, and their families and keeps us on track to eliminate nearly all inadequate military family housing units by fiscal year 2007, with complete elimination in fiscal year 2009. Privatization is enabling the Department to multiply the benefits of its housing budgets and get more military families into top-quality accommodations much sooner than would otherwise be possible. As of February 2004, 27 privatization projects have been awarded for a total of 55,000 units. We hope to get up to 136,000 by the end of fiscal year 2005.

Taking good care of the Department's people, both military and civilian, includes providing them quality facilities in which to work. To that end, the fiscal year 2005 request funds 95 percent of the services' facilities sustainment requirements and continues to improve our facilities recapitalization rate. For the first time, the percentage that is being allotted toward sustainment applies equally to all services across the board.

Providing our people quality facilities requires that we not expend money on redundant facilities and that our basing structure be geared closely to our global strategy and commitments. We need the 2005 Base Realignment and Closure Commission to decide how best to streamline and restructure DOD facilities so that we can make the most out of funding and optimally support our global strategy.

The fiscal year 2005 request strongly supports force protection. Although we are on track to meet most Central Command requirements during the current fiscal year, I want to give you some highlights of our ongoing force protection program.

Interceptor body armor. U.S. Central Command (CENTCOM) plans to have 175,000 of these body armor sets in theater by the end of March, the end of this month, which will fully support its requirements. But in addition, the 2005 budget requests \$40 mil-

lion to sustain production of body armor sets at 25,000 sets per month until the full Army requirement is met.

We are also ramping up our up-armored high mobility multipurpose wheeled vehicle (HMMWV's). Production is going up to 220 per month by May. Production plus redistribution of these up-armored HMMWV's that are on hand will meet CENTCOM requirements by December, and we are asking for an additional \$156 million in fiscal year 2005 to procure another 818 of these.

There are various detection and jamming devices in theater already. Others will begin arriving in theater in March 2004, and these are to deal with improvised explosive devices (IED). Our fiscal year 2005 budget supports increased production and accelerated research and development of other means and the same means to deal with the IED's.

Then there are the vehicle ballistic protection kits. The Army's plan for add-on armor kits is on track to meet CENTCOM requirements for HMMWV's by October of this year and for other critical vehicles by December 2004. We expect some 6,300 HMMWV add-on armor kits to be delivered by July of this year.

I also want to highlight how the Department is transforming the way in which it conducts its business. Our primary initiative in this regard is the Business Management Modernization Program. This is a massive undertaking involving virtually all management functions and it will take several more years to complete. We are in the process of transitioning from more than 2,000 mostly incompatible management information systems to a much smaller number of fully compatible systems that will provide leaders everything needed for informed decisionmaking. We will streamline processes and integrate systems to enable DOD decisionmakers to get timely and accurate information to optimize the allocation of defense resources and people. The fiscal year 2005 budget requests about \$100 million to continue the evolution and extension of our business enterprise architecture, which is guiding the overhaul. We still anticipate that the architecture will lead to a functional accounting system by fiscal year 2007. We have been making progress for a couple of years, and we still believe we are on track.

Another initiative I want to highlight is military to civilian conversion. The Department has identified over 50,000 positions currently filled by military personnel for conversion to positions supported by DOD civilians or contractors. The services have begun to convert 10,000 positions in this fiscal year. The fiscal year 2005 budget includes \$572 million to achieve the conversion of another 10,070 positions.

I would like to note that the Defense Finance and Accounting Service (DFAS), which is part of my organization, has already converted several hundred positions previously filled by Air Force personnel. The airmen are now available to the Air Force, which can retrain them to fulfil its requirements.

In a similar vein, the Army has been retraining the soldiers formerly assigned to DFAS. Again, we are talking about several hundred personnel. In particular, many of these people are being retrained at Fort Leavenworth to serve as military police, a specialty which currently is in especially great demand. At the same time, DFAS, the Financing and Accounting Service, Finance and Ac-

counting Service, does not need to hire as many civilians to replace their uniformed predecessors. So DFAS will be more efficient as well.

PREPARED STATEMENT

These are a few of the highlights of the fiscal year 2005 budget and related DOD activities. Together with General Cartwright, who is the head of the J-8, which is the Joint Staff's Programming and Analysis Division—and it is a much longer formal title, but I think that sums it up—we would be happy to address your questions on these or any other defense budget matters. Thank you.

[The statement follows:]

PREPARED STATEMENT OF THE HONORABLE DOV S. ZAKHEIM

Mr. Chairman, members of the Committee, thank you for this opportunity to discuss President Bush's fiscal year 2005 Department of Defense (DOD) budget. Because the Committee has received considerable information in support of the budget request, I will limit my statement to key issues that are related to my responsibilities as Under Secretary of Defense (Comptroller).

FUNDING THE GLOBAL WAR ON TERRORISM

Two weeks ago I visited Afghanistan and Iraq, and so I will begin by reporting that our troops there continue to perform magnificently. They appreciate the steadfast support given them by this Congress. We continue to witness progress in both countries, and enjoy the full cooperation of our allies and partners as we work with Iraqis and Afghans to provide security, stability and prosperity to their respective countries. I especially want to note the success of our Provincial Reconstruction Teams (PRTs) in Afghanistan, and the contribution of our allies to PRTs. I visited the NATO/German PRT in Kunduz. They are doing a marvelous job and are well-liked by the local townspeople.

In Iraq, I visited the lead elements of the Japanese contingent in As-Samawah, the Spanish brigade in Ad-Diwaniyah, and the Polish multi-national division headquarters in Al-Hillah. These units are having a major, positive impact on the local populace, and are demonstrating that the international community shares America's desire to help Iraq emerge from thirty years of dictatorial darkness.

For the current fiscal year, our fiscal year 2004 supplemental appropriations provide sufficient resources to enable the Department to finance its incremental costs for operations in Iraq, Afghanistan, and the global war on terrorism through the end of September. We will continue to provide service support and transportation for allies who are contributing forces to coalition operations in Iraq, but who nevertheless need some financial assistance.

We cannot yet determine the scope of U.S. operations in Afghanistan and Iraq in fiscal year 2005. The President's request therefore does not reflect possible incremental costs for those operations. It is extremely difficult to estimate what demands we might have to meet later this year and next year—particularly after the election in Afghanistan and after sovereignty is transferred to the Iraqi people. Depending on the circumstances, we could face the need for either more or fewer troops—and more or less intensive operations.

I should note that there is a three-month lag in the availability of our data for actual costs in Afghanistan and Iraq. As of today, we only have figures for the costs of operations in November. Thus we will not know until the fall what our actual costs were for the summer, when sovereignty will have reverted to the Iraqi people.

The Department does not anticipate a further request for DOD supplemental appropriations during the rest of calendar year 2004. Therefore, for several months into fiscal year 2005, the Department will need to cover its incremental costs by drawing down appropriated funds that were budgeted for expenditure later in that fiscal year. We have done this in the previous two fiscal years, and can do so again in fiscal year 2005, as long as the Congress moves quickly to approve a supplemental early in the next calendar year.

NEEDED ENHANCED AUTHORITIES

One of the most important ways in which Congress can support the global war on terrorism is to support three special authorities we have requested:

(1) \$500 million to train and equip military and security forces in Iraq, Afghanistan, and friendly nearby regional nations to enhance their capability to combat terrorism and support U.S. operations in Iraq and Afghanistan. It is critical that this authority include security forces because the terrorism threat in Iraq is inside its borders. Security forces—not the New Iraqi Army—play the primary role in confronting this threat.

(2) The Commanders Emergency Response Program (\$300 million) to enable military leaders in Iraq and Afghanistan to respond to urgent humanitarian relief and reconstruction needs. This has been a remarkably successful program. With quick turnaround projects averaging about \$7,000 each, commanders not only help people in their operations area, but also gain their support in defeating terrorists and building themselves a better future. As we have already done in fiscal year 2004, we propose to expand CERP to Afghanistan, as well as to continue the program in Iraq.

(3) Increased drawdown authority (\$200 million) under the Afghanistan Freedom Support Act, to provide additional help for the Afghan National Army. During this pivotal year, this authority is critical for advancing democracy and stability in Afghanistan. During my visit to Afghanistan, everyone I met gave very high marks to the professionalism and competence of the ANA.

The President's fiscal year 2005 budget does not request specific appropriations for these three authorities, and therefore the Department would need to reprogram funding to use them. This underscores the importance of Congress increasing the Department's General Transfer Authority (GTA) to \$4 billion—which would still represent just one percent of total DOD funding. Higher GTA also would give us a greater ability to shift funds from less pressing needs to fund must-pay bills and emerging requirements. As we have seen in the past three years, such requirements have become a constant feature of our military programs.

One other authority would be especially helpful, given the uncertainty we face in the global war on terrorism: we need to convert Operation and Maintenance (O&M) to a two-year appropriation account. This would preclude wasteful end-of-fiscal-year scrambling, help us cover emerging requirements, and enhance our ability to derive the very best value from every appropriated dollar.

DOING RIGHT BY OUR PEOPLE

The President's fiscal year 2005 budget reflects the Administration's continuing commitment to our military men and women and their families. It requests a 3.5 percent base pay raise and completes the elimination of average out-of-pocket housing costs for military personnel living in private housing. Prior to fiscal year 2001 the average service member had to absorb over 18 percent of these housing costs. The budget also sustains the excellent health care benefits available to military members, retirees and their families. And it keeps us on track to eliminate nearly all its inadequate military family housing units by fiscal year 2007, with complete elimination in fiscal year 2009.

Taking good care of the Department's people, both military and civilian, includes providing them quality facilities in which to work. To that end, the fiscal year 2005 request funds 95 percent of the Services' facilities sustainment requirements and continues to improve our facilities recapitalization rate. For the first time, this percentage applies equally to all Services.

Providing our people quality facilities requires that we not waste money on redundant facilities and that our basing structure be geared closely to our global strategy and commitments. We need the 2005 Base Realignment and Closure (BRAC) Commission to decide how best to streamline and restructure DOD facilities so that we can make the most out of our funding and optimally support our global strategy.

FORCE PROTECTION

The fiscal year 2005 request strongly supports force protection, although we are on track to meet most Central Command (CENTCOM) requirements during the current fiscal year. Following are the highlights of our force protection program:

—*Interceptor Body Armor (IBA)*.—CENTCOM plans to have 175,000 IBA sets in theater by the end of March, which will fully support its requirements. The fiscal year 2005 budget requests \$40 million to sustain production of IBA at 25,000 sets per month until the full Army requirement is met.

—*Up armored HMMWV (UAHs)*.—Production will ramp up to 220 per month by May. Production, plus redistribution of UAHs on hand will meet CENTCOM requirements by December. The fiscal year 2005 request is \$156 million to procure 818 UAHs.

- Improvised explosive device (IED) jamming/change detection technology.*—Various detection/jamming devices are in theater. Others will begin arriving in theater in March 2004. Our fiscal year 2005 budget supports increased production and accelerated research and development.
- Vehicle ballistic protection kits.*—The Army's plan for add-on armor kits is on track to meet CENTCOM requirements for HMMWV by October 2004, and for other critical vehicles by December 2004. Some 6,310 HMMWV add-on armor kits are expected to be delivered by July 2004.

TRANSFORMING HOW DOD DOES BUSINESS

I also wish to highlight how the Department is transforming the way in which it conducts its business.

Our primary initiative in this regard is the Business Management Modernization Program (BMMP). This is a massive undertaking involving virtually all DOD management functions, and it will take several more years to complete. We are in the process of transitioning from more than 2,000 mostly incompatible management information systems to a much smaller number of fully compatible systems that will provide leaders everything needed for informed decision-making. We will streamline processes and integrate systems to enable DOD decision-makers to get timely and accurate information to optimize the allocation of defense resources and people. The fiscal year 2005 budget requests about \$122 million to continue the evolution and extension of our Business Enterprise Architecture, which is guiding our overhaul. We anticipate that the architecture will lead to a functional accounting system by fiscal year 2007.

Another initiative I want to highlight is military-to-civilian conversion. The Department has identified over 50,000 positions currently filled by military personnel for conversion to positions supported by DOD civilians or contractors. The Services have begun to convert 10,000 positions in fiscal year 2004. The fiscal year 2005 budget includes \$572 million to achieve the conversion of another 10,070 positions. I should note that the Defense Finance and Accounting Service (DFAS), which is part of the Comptroller organization, has already converted several hundred positions previously filled by Air Force personnel. The airmen now are available to the Air Force, which can retrain them to fulfill its requirements. Similarly, the Army has been retraining the soldiers formerly assigned to DFAS. In particular, many of these personnel are being retrained at Fort Leavenworth to serve as military police, a specialty which currently is in especially great demand. At the same time, DFAS does not need to hire as many civilians to replace their uniformed predecessors. As a result, DFAS will be more efficient as well.

CLOSING

These, then, are a few highlights of President Bush's fiscal year 2005 defense budget and related Department of Defense activities. I would be happy to address your questions on these or any other defense budget matters. Thank you.

Senator STEVENS. Thank you very much, doctor.

Since there are only four of us here, would it be acceptable if we put a limit of 10 minutes on each one of us? I expect two more members. Is there any objection to a 10-minute limitation?

[No response.]

Senator STEVENS. Dr. Zakheim, you have indicated a great many things concerning the current conflicts in Iraq and Afghanistan. As you have said, we will expect a supplemental some time after the beginning of the next calendar year, which means that the armed services will have to complete their work during this fiscal year, through the end of September, and beginning of October start using the funds that are in fiscal year 2005.

I take it that it is your feeling that if there is a surge in expenditures in the first quarter of the next fiscal year you will use the food and forage concept and proceed with the idea that we will not be able to get a supplemental through to you probably until this time, some time around March 2005. Is that your plan?

Dr. ZAKHEIM. Obviously if there is a jump in expenditures we have to revisit what we would do. Right now it could go any of

three ways. If things go wonderfully and more foreign troops are sent in, along the lines of the Japanese and the Koreans and so on—and with regard to those two countries in particular, I do not think anyone would have anticipated 8 or 9 months ago that they would be in Iraq—then we could probably reduce our presence.

If things go along the lines that we are talking about now, our presence will reduce marginally, by about 10,000 troops. If things go to hell in a handbasket—and there are those who predict that, though I do not think that is the case, certainly not what I have seen out there and certainly not in light of the constitution coming out the way it did, which clearly shows that the Iraqis themselves are determined to have a peaceful transition. Nevertheless, if things went bad, then there would be some kind of sharp increase and we would have to reevaluate.

As things stand now, we can draw upon the experience of the last 2 years. As you know, we forward financed in excess of \$30 billion before we came for a supplemental last spring. That probably cut matters very close. The previous year we forward financed in the region of \$13 billion. So if we were to come to you in January and request a supplemental then and the Congress turned it around, as it can do, within 1 month or so, I do not think we would face any difficulties.

HMMWV

Senator STEVENS. I would like to shift over to the HMMWV's if we can. This has been a very, very serious issue for us on this committee. I have an equipment schedule here that shows that the HMMWV's, developed in the early 70's, began procurement in 1985. There are three models, I am told—no, four: A0 through A3; and that most of those that were deployed were the A0 and A1's.

Now, some of them are less capable of supporting the armored packages. What are the ones that are being armored now? The up-armor, what models are being up-armored?

Dr. ZAKHEIM. I believe all of them are being up-armored. I have not heard that there is a difference between them. General Cartwright, do you have a different sense of that?

General CARTWRIGHT. They can use any of the models to upgrade, but what essentially they do in the upgrade is they increase the engine and the transmission in order to take the additional weight. That is the key, so that when they go back and put the up-armor kit on it takes a larger engine and it also takes a transmission change. Which model they use does not matter.

Senator STEVENS. That was going to be my next question. Are you selecting any particular model for up-armor or just what we can get a hold of? Are you bringing them back to up-armor them? Where are they being up-armored?

General CARTWRIGHT. Some are new procurements, some are upgrade kits that are being done in the field, some are upgrade kits that are being done here in the United States. We are going to the quickest place that we can to create the capability out in the field. In some cases we have sent teams out to do it in the field to the extent that we can. But again, you are changing an engine and a transmission, which they can do in the field. Some of them we are building new at the factory.

Senator STEVENS. These are basically built in Indiana and Ohio?

Dr. ZAKHEIM. I believe that is correct.

General CARTWRIGHT. I think that is right. Indiana is the key place that I recall.

Senator STEVENS. Are we procuring any new jeeps that are not up-armored?

Dr. ZAKHEIM. Not to my knowledge.

General CARTWRIGHT. Not right now.

Senator STEVENS. We also heard that for the first time an Abrams tank was destroyed by artillery shells that were wired together and put into a road and set off, actually, by a cell phone. How prevalent is that now, General?

General CARTWRIGHT. The enemy is certainly in using these explosive devices becoming more and more creative, and to the extent that they understand how to attack a particular target, whether it be a vehicle or a convoy, and how to inflict the damage, we have seen a steady progression in their sophistication of being able to do that.

This often becomes an effort where our ability to armor or protect is then offset by a different capability on the part of the enemy, and we continually try to stay ahead of that game.

Dr. ZAKHEIM. Without getting into too much detail in an open forum, I think it is safe to say that basically there are two approaches to this, active measures and passive measures. We are pushing both and we have seen some success in both cases.

Senator STEVENS. What about this problem about predictability in terms of the costs of Iraq and Pakistan? Could you discuss that?

Dr. ZAKHEIM. Sure.

Senator STEVENS. My staff tells me that the situation is incredibly fluid and because of the difficulty to really predict what the costs will be over the next, what, 18 months, it is hard for us to conceive right now what the supplemental will look like. Is that correct?

Dr. ZAKHEIM. Yes, I think your staff is right on target there. Just to give you a concrete example, in November our monthly cost was something under \$4 billion. In October I believe—I think it was October—the monthly cost was in the region of \$7 billion.

Senator BYRD. Monthly cost for what, please?

Dr. ZAKHEIM. For operating in Iraq. Excuse me, Senator.

Senator BYRD. In Iraq?

Dr. ZAKHEIM. Yes, sir. Actually, I think it was September. There was a fluctuation. Now, we are still trying to understand the spike, but the basic point is that we do get spikes. Again, given that, and given the political uncertainties—and I think this is what your staff was getting at and they are absolutely right—given the political uncertainties, it is very, very difficult to predict, even with respect to Afghanistan, which has been fundamentally more stable, what exactly the costs will be. If we are talking about a supplemental, we are in March now and we are talking about moneys that would be expended initially about 8 months from now through about 20 months from now.

That really is the key to our desire to wait a little longer and have a much better feel to the extent we can before we come in with a supplemental request.

TEMPORARY STRENGTH INCREASES

Senator STEVENS. Let me ask a related question. It is my understanding that the costs associated with the temporary strength increases are not in the fiscal year 2005 budget either. Now, these are people that have been taken on now and they have the additional cost of housing and various support costs. Why did the budget not include the amount for those that have already been brought on in temporary strength increases?

Dr. ZAKHEIM. Because those increases are under the emergency authorities and emergency authorities are funded by the supplemental. The fiscal year 2004 supplemental therefore funds those increases for fiscal year 2004. Again, when there is a fiscal year 2005 supplemental it will fund those increases. These are the emergency authorities over and above the authorized end strength.

Senator STEVENS. Well, there is an inconvenient gap there between October 1 and March 1 of next year. How are you going to fund them?

Dr. ZAKHEIM. Again, we will fund it the same way we would fund operations, that is to say forward financing. The issue is not really our ability to fund forward. The issue is how long we can continue to do it. Clearly, if it were to stretch on into the late part of the second quarter of the next fiscal year, we would have problems.

Senator STEVENS. What does "temporary" mean with regard to these employees?

Dr. ZAKHEIM. Essentially "temporary" simply means that you are going above the end strength, the authorized end strength, and it is part of the emergency authorities and so you do that until such time as you no longer have the emergency. That is my understanding of it. General, is yours different?

General CARTWRIGHT. The same.

Senator STEVENS. Senator Inouye.

Senator INOUE. I am glad you asked that question, Mr. Chairman, because there are many of us who would like to know what we have in mind when we say "temporary."

Dr. ZAKHEIM. Senator, as you know, the Secretary of Defense has said over and over again we do not want to stay in either Afghanistan or Iraq one day longer than is necessary. I think the general view is that we will be able to ramp down our forces over time. The question is what are the political circumstances that would permit such a ramp down. Those involve not just the internal situation in Iraq, but the degree to which Iraqi forces are able to pick up the burden—as you know, they actually are the largest force under arms in Iraq right now—and second, what the international contribution would be.

There are a number of countries, as you know, that have sat on the fence for some time waiting to see developments, waiting to see a transfer of authority. So it is not at all inconceivable that once July comes around you will see far more contributions of forces than we have seen today.

HAITI

Senator INOUE. Dr. Zakheim, can I ask a few questions on Haiti? Yesterday the United Nations announced an international

force will be going in, but apparently American forces would be the major unit. What is happening now?

Dr. ZAKHEIM. I do not know if the General has more insight than I do. But as far as I understand, we are sending some relatively small units out there. We are not going to be working on our own. And then there will be a handover to the United Nations (U.N.) peacekeeping force some months down the road.

Clearly, one has to see. This is the day after President Aristide decided to catch the next plane to Africa, and how the situation persists at this stage, whether it quiets down, whether there is rioting or not, is something that at least I am not in a position to predict. But I do understand—and I would like General Cartwright to jump in here—that we are sending some small number of marines for at least 1 month or so, until the United Nations feels it is ready to send in the blue helmets.

General CARTWRIGHT. I think that is exactly right. The unknowns in this situation are still pretty large. We are trying to understand what the situation is on the ground. We are trying to understand what it will take to be part of a national—or an international coalition if that is what is put together by the United Nations and what our role would be in it. These initial moves are just meant to establish our position there, first and foremost to protect our interests at the Embassy.

TRICARE FOR GUARD AND RESERVES

Senator INOUE. Dr. Zakheim, last fiscal year we increased several personnel benefits. Among these was TRICARE for Guard and Reserves. But your fiscal year 2005 budget request provides for ending this at the end of the calendar year. What is your plan for the program?

Dr. ZAKHEIM. The law told us to carry it through to the end of the calendar year and we did, as you know, and we are asking \$300 million for that. And yes, we have not funded beyond that.

We are looking at how to deal with an issue that in our view is a little more complicated than simply providing TRICARE for Reserves. When the Reserves are on active duty they are already covered by TRICARE and for a brief time thereafter. Therefore the question is if someone is in the Reserves and not on active duty and has access to other health care as well, what do we do about that, since every dollar, quite honestly, that is spent in that direction could well come at the expense of other programs?

You noted, Senator, somewhat earlier that the defense budget has increased significantly over the last few years. Well, \$27 billion of that is purely health-related: \$17 billion in the defense health program, \$10 billion more in the accrual account for medical retirees. That is a lot of money, and these accounts grow of their own. We do not have any real control over them. They are nominally discretionary. In fact, they are entitlements.

This one would likewise be, in practice, an entitlement. So we have to look very, very carefully before we extend these kinds of benefits beyond where they already are. The law told us this was to be in force until the end of the calendar year and so we funded it to the end of the calendar year.

Senator INOUE. With all this, would you find that an active duty soldier fighting together with a Reserve soldier side by side, one getting full benefits, the other question mark, is not quite fair?

Dr. ZAKHEIM. It would not be fair if the Reserve were not entitled to TRICARE while the Reserve were fighting as an active. But in fact they are both entitled to the same benefits while they are both functioning in the same way. The real issue is as I see it—and maybe the General wants to expand—what do we talk about when we have someone who is on active service on the one hand and someone who is working at their regular job not in the military on the other?

One could make the case that the unfairness, such as it is, would be against the active service person, who would find that they are still on the front lines somewhere, whereas the Reserve, who was going about their daily life with their family and their normal job in their normal town, is collecting the same benefit. Then one could say, is that particularly fair?

General, do you want to add to that?

General CARTWRIGHT. I think that hits the heart of the issue. We do not want to disadvantage the Reserve component when they are on active duty or in their transition to and from active duty. Clearly we want to take care of them, and I think that the measures that have been put forward do that. The question then becomes how long when they are not on active duty and to what extent this benefit extends, and I think we want to discuss that.

EXIT PLAN

Senator INOUE. The following two words are ones that we hear quite often in the political arena: “exit plan.” Now, we have planned for a temporary increase in troops. Does the administration have any exit plan for a time when we might be reducing these temporary forces?

Dr. ZAKHEIM. As I mentioned, Senator, the current plan envisions a reduction of about 10,000 this year alone. I am not in the policy chain, at least not this time around in my career, so it is probably a little bit out of bounds for me to discuss this, other than to say that naturally the circumstances will dictate our exit.

The one thing that I think we can all agree on is we do not want a premature exit. Given the nature of the situation in Iraq or in Afghanistan, for that matter, a premature exit would create circumstances that probably could be so bad as to force us to come in, to come back in, within stronger numbers. That is what we all want to avoid.

But it will be the circumstances on the ground that dictate just exactly when we go and at what pace.

General, do you want to add?

General CARTWRIGHT. Maybe I misunderstood the question. I thought you were focused more on when will the temporary end strength be drawn down versus when we will exit the conflict. Is that correct?

In the thought process of the temporary end strength, clearly the forces, the services, are taking advantage of the opportunity to align themselves as quickly as they can to a configuration that allows them to both meet the threats that we have today and we en-

vision having in the future and to get themselves to a position where they can sustain presence at the level that is necessary.

The thought process right now with the Army, who has probably undertaken the greatest transformation of all the services, is that it will probably take them somewhere in the neighborhood of out through 2007 to accomplish this. They can meter the rate out. If the temporary authorities are reduced, they can stretch that out and stretch their transformation out. While they have the temporary authorities, they can accelerate that transformation, and that probably is to our benefit and theirs, to be able to get into a configuration that is more sustainable.

So the thought process is that right now if they stay at the rate at which they are going that out in the 2007, 2008 timeframe they will be reconfigured in a way that allows them to go back to that original strength level.

Dr. ZAKHEIM. Sorry I misunderstood, Senator, but the way the General outlined it is my understanding. We are talking about getting down in approximately 3 to 4 years.

Senator INOUE. I have 30 seconds, sir. In my opening remarks I mentioned that we have increases in space and missiles, but decreases in the usual things like tanks, ships, and planes.

SHIPBUILDING

Dr. ZAKHEIM. Senator, I do not think that is entirely the case. Yes, there are increases in space and yes, there are increases in missiles and missile defense. But let me give you one example of where the numbers might be a little misleading, and that is in shipbuilding. What we did this year was to finance the research and development portions of two ships, as opposed to fully finance those ships. That at least is what we are submitting to the Congress for approval, and we worked that out with the Office of Management and Budget (OMB).

The impact of that is that had we fully financed those two, one being a DDX, the other the Littoral Combat Ship, the shipbuilding budget would be up about \$2 billion. In practice, it has no differential impact on the work force on the ground and what goes on in the shipyards, but the numbers look a little bit different. As you well know, in shipbuilding in particular we only lay out about 4.5 to 5 percent of the total cost of a program in the first year.

I think the same would apply to some of our other programs. It is true that we do not have a tank being funded, but we have not funded a tank in a number of years; and I would draw your attention to the Stryker program, which is moving along quite well.

In terms of aircraft, we continue to fund the F-22, we are funding the F/A-18. Those have been our programs and they are moving on a steady pace. The research and development for the F-35, the Joint Strike Fighter, is moving ahead as well.

Senator INOUE. Thank you very much.

Thank you, Mr. Chairman.

Senator STEVENS. Senator Byrd, you are recognized for 10 minutes, sir.

Senator BYRD. Thank you, Mr. Chairman.

FUNDING CONFLICTS

Dr. Zakheim, why is the Department of Defense breaking with the modern tradition of how the United States has funded large-scale ongoing wars by absolutely refusing to include any costs of the war in its regular appropriations request?

Dr. ZAKHEIM. I do not know that it is a break with tradition. As I understand it, we funded 2 or 3 years of the Vietnam war in the baseline. I believe it was 1967 to 1970, fiscal years 1967 to 1970. It turned out that the estimates were way off and we went back to funding conflicts with supplementals.

So we now have approximately 35 years of doing it this way. When this administration took office, we made clear that we did not want to use supplementals to fund shortfalls in operations and maintenance, for example, and we worked on changing the culture of the Pentagon so that we would not do that, so that people would not deliberately underfund budget requests and then come back to the Congress and say the sky was falling.

What we did do was say to that in the event of a conflict—and of course, in early 2001 we did not know that 9/11 would come around—we said in the event of a conflict that would be different. That is what we have done. It is consistent with what has been done, as I say, Senator, I believe since 1970.

Senator BYRD. At least until—since when?

Dr. ZAKHEIM. 1970, sir.

Senator BYRD. Well, in 1970 the moneys for combat operations in Vietnam were included in the regular appropriation bill.

Dr. ZAKHEIM. That was the last time, I believe.

Senator BYRD. No, not the last time. In 1971, the funds for combat operations in Vietnam were included in the regular bill, and that was not the last year. 1972, 1973. So that is not accurate, Dr. Zakheim, what you said.

Dr. ZAKHEIM. I may have made a mistake between 1967 and 1970, as opposed to 1970 and 1973. But I believe that it was 3 years only and then we did not fund combat operations after that.

Senator BYRD. You funded 1967 the Vietnam war, regular bill, 1967. 1966, combat operations, at least partially, in the regular bill.

Dr. ZAKHEIM. Partially, yes.

Senator BYRD. Well, now, wait a minute. You know, what years you said earlier does not square with the facts. So I just want you to know I have got a whole table of all of these dates and these wars and how they were funded. So that is the basis for my question: Why is the Department of Defense breaking the modern tradition of how the United States has funded large-scale ongoing wars by absolutely refusing to include any costs of war in its regular appropriations request?

Now, we have seen that this administration does not fund operations in its regular bills in this war. There are two wars going on here: one in Afghanistan, under which we were attacked; and one in Iraq, in which we were the attackers. How can the American people ever be prepared to support running enormous deficits while spending scores of billions for a long-term occupation mission half-way around the world if the administration will not be open about

its estimates for how much the war will cost, how long our troops will be sent abroad, or even what its exit strategy is for Iraq?

How much are we spending per month in Afghanistan? How much are we spending per month in Iraq?

Dr. ZAKHEIM. We are spending on the average \$4.2 billion a month in Iraq and on the average approximately \$800 million a month in Afghanistan. The total cost of Enduring Freedom which exceeds just operations in Afghanistan is in excess of about—it is about \$1 billion a month, or at least that is what we saw last year. It was about \$12 billion for 12 months.

On the dates, I apologize, but you have got the numbers in front of you, I do not. You have a better sense of history than I do, Senator.

Senator BYRD. Well, thank you, Dr. Zakheim. You better answer these questions when you come before the people's representatives in the Department that controls the purse strings. We are going to be watching these figures closely.

You and I have had good relations and we have worked together on things before. These questions may sound like there is a great deal of animus between you and me. There is none. That is not my purpose here. I thank you for the good work you do.

But it is increasingly clear that the Bush administration has no idea of when to start to bring American soldiers home from Iraq. It is increasingly clear that the Bush administration intends to keep soldiers in Iraq for many, many months. But does the administration include costs for this mission in its budget? The answer is no, right?

Dr. ZAKHEIM. That is correct, sir.

COSTS OF OCCUPATION OF IRAQ

Senator BYRD. Does the administration give the American people an understanding of the costs of this prolonged occupation of Iraq? The answer is no, right?

Dr. ZAKHEIM. That one I am not sure I can fully agree with you on, Senator.

Senator BYRD. Well, let us have it, then.

Dr. ZAKHEIM. Well, as I said, certainly the American people know that the costs have been large. If we are talking about \$4.2 billion a month, they can do their sums up to now and see that we have been talking about significant amounts of money. The difficulty for us, Senator, is that predicting the future, as I indicated, is much more dicey. We can certainly come up with the numbers that we have spent and no one is under any illusions that these are not large expenditures. But the prediction of the future is a completely different matter, and that is why we have been very reluctant to make any statements.

ESTIMATED COSTS OF WAR

Secretary Rumsfeld has noted in a number of hearings that we had originally requested in the case of Afghanistan a \$10 billion estimate and the Congress decided not to go with that. I know there is a lot of discussion about why the Congress did not and so on. It turned out that estimate was reasonably accurate for the first year.

Senator BYRD. Well, Dr. Zakheim, why does not the administration send up in its budget the estimated cost of the war in Afghanistan, the estimated cost of the war in Iraq, in its regular budget? That is the question.

Dr. ZAKHEIM. The answer is because we simply cannot predict them at this stage, sir.

Senator BYRD. The White House plays hide and seek with the costs of the war, hiding them from the American public until after the November election. The country deserves an honest up-front approach from the President. Instead, we get gimmicks and games.

I offered an amendment to the fiscal year 2004 defense appropriations bill that stated the sense of the Senate that the President should include in his fiscal year 2005 budget a request for ongoing military operations, including Iraq and Afghanistan. This amendment was passed with an overwhelming 81 votes. But the costs of the war on terrorism and the war in Iraq are not included in this budget, the estimated costs. Of course, you cannot be absolutely sure down to the final dollar, but certainly this administration must have some estimates.

Surely, the administration must talk about these things within the administration. I certainly would be totally surprised and shocked, astonished, if the truth were that the administration does not have any estimates of the costs of the wars, the two wars that are going on, the one in which we were attacked, the other in which we were the attacker. There must be some estimates.

The American people are entitled to know what these estimates are, and that is what we are asking.

On February 10, the military services told the Armed Services Committee that delaying a supplemental until next year would cause them real budgetary problems when they run out of money in early to mid-September. So, I remind you that the administration sent its request for \$87 billion to Congress on September 17, 2003, and it was passed by Congress and signed into law by the President within 1½ months. If the Department can estimate the fiscal year 2004 costs of the war by September 2003, why can it not estimate the fiscal year 2005 costs of the war by September 2004?

Dr. ZAKHEIM. Senator, again, yes, we have estimated the costs of 2004, but that is an estimate, it is true, and that is what we think we will spend through September 30 of this year. But we are reaching two watershed situations, both in Iraq and Afghanistan. That is to say, the transfer of authority in Iraq and the presidential election in Afghanistan. Both of those could be, will be, significant factors in what is the American military presence, posture, force level in fiscal year 2005.

Senator BYRD. Dr. Zakheim, we are also approaching an election in this country, in November. The American people are entitled to know before the election, not after the election, what at least the estimated costs of these continuing wars are to the American people in dollars as well as in lives, as well as with regard to the length of the occupation.

Mr. Chairman, I hope I have not overrun my time.

Senator STEVENS. Slightly, Senator.

Senator BYRD. All right, I will wait until the next round. Thank you.

Thank you, Dr. Zakheim.
 Dr. ZAKHEIM. Thank you, Senator.
 Senator STEVENS. Senator Burns. Ten minutes, Senator.

PREPARED STATEMENT OF SENATOR CONRAD BURNS

Senator BURNS. Thank you, Mr. Chairman. I have a statement I would like to submit for the record, with the consent of the committee.

Senator STEVENS. It will be printed in the record.
 [The statement follows:]

PREPARED STATEMENT OF SENATOR CONRAD BURNS

Thank you, Mr. Chairman. Mr. Zakheim, I would like to thank you for being here today to discuss the President's fiscal year 2005 Budget request for the Department of Defense (DOD). I have just a very short statement before we get going this morning.

The President has proposed a \$401.7 billion fiscal year 2005 budget for the Department of Defense. This number represents a seven percent increase over the fiscal year 2004 budget of \$375.3 billion.

I would like to start off by saying that for the most part, I think you have presented us with a good budget, one that funds core needs to allow troops currently engaged, to do so safely and to the best of their ability. This budget also prepares our military forces for future engagements, where battlefields will look much different than they have in years past. We must ensure our military transforms in such a way as to have the right military capabilities for any future engagement. An overall Research and Development (R&D) request of \$68.9 billion and investment in Science and Technology, which has been included in this fiscal year 2005 budget at \$10.5 billion, helps get us there.

As you know, the men and women of our active, Guard and Reserve components have seen an increased operations tempo (OPTEMPO) over the past few years in particular. In my State of Montana, we'll soon see 40 percent of the Guard's total force mobilized, including the 495th Transportation Battalion out of Kalispell, the 143rd Military Police Detachment out of Bozeman and the 1022nd Medical Company. While I know these men and women love what they do and love serving their country, this increased OPTEMPO does not, however, come without costs. I am pleased to see that the budget addresses this issue and looks at ways to rebalance our forces and reduce the need for involuntary reserve mobilization. I do think it is important to look at ways to add folks to areas where we currently have a shortage, such as military police, transportation and civilian affairs.

Increased operations also wear and tear on much of our already aging equipment. This year's budget proposes \$140.6 billion for the Operation and Maintenance (O&M) account, up from \$127.6 billion in fiscal year 2004. The procurement account has been proposed at \$74.9 billion, down from the fiscal year 2004 level of \$75.3 billion.

The United States military would not be the best fighting force in the world without the great people who wear the uniform. It is important that we take care of our military men and women and ensure their quality of life is good. The Military Personnel account is funded at \$104.8 billion in fiscal year 2005, while the Military Construction and Family Housing accounts request is a total of only \$9.5 billion.

Our military has performed nobly in their latest missions—especially in Afghanistan and continuing in Iraq. This country's fighting force is extremely skilled and capable. The United States military responds to various missions across this nation and across the world at a moment's notice, as we have recently witnessed in Haiti. We must ensure our brave military men and women have the tools and equipment needed to do their job and return home to their loved ones safely and as quickly as possible.

I pledge to do what I can to make sure that our military has the support they need to get the job done.

Again, thanks for coming before our subcommittee today. I look forward to the discussion this morning. Thank you.

Senator BURNS. We are all spending a lot of time at home now, so thank you for coming this morning. I have a couple of things I would like to ask.

With regard to the Senator from West Virginia's questions, you know, I realize we are finally into a political season. I had this all confused. I did not know that. But I want to point out the Clinton administration never did provide advance estimate costs for Haiti, Southwest Asia, or Kosovo. I would just like to clear that for the record.

Senator BYRD. That is an old herring, going back to the Clinton administration. What has that got to do with today?

Senator BURNS. Well, you know there is a lot of truth in that.

Senator BYRD. Well, there may be and there may not be. But we have got to do the funding. That is our business, and we need estimates upon which to proceed.

Senator BURNS. That is exactly right. If it was an accepted practice then, those practices will usually be carried forward in Government, and you know how that is.

RETENTION OF TROOPS

I want to use an old Marine term here. As I talk to the families of Guard and Reservists in the State, scuttlebutt has it that our retention of those troops once they come home—they have been deployed no less than 6 months, in some cases over 1 year—retention is going to be a problem. We have not heard that because there are no figures for it yet.

Has this been discussed at the highest levels of the Pentagon? Because, as you know, over 50 percent of our force structure has been moved into Guard and Reserves. Has this been discussed and is it a concern of the Pentagon?

Dr. ZAKHEIM. Well, the answer is yes and yes, sir. My colleague David Chu, the Under Secretary for Personnel, is fully on top of this issue. As I understand it, right now we are retaining Reserves at a historically high rate, about 5 to 6 percent higher than is normally the case.

There are some indicators that that retention rate will go down some, and it might just level off at the historical rate. Right now, like you, all we have are anecdotal pieces of evidence. It really depends almost on which Reserve you speak to. I have spoken to some who have voiced the concerns you just did. I have spoken to others who say that the families are supportive, the townspeople are supportive, they are all very proud that they are out there, and they have absolutely every intention of re-upping.

So until we actually see the numbers we do not know. But yes, this is something that we are very cognizant of. I guess we are fortunate that going into this potential situation we actually have higher retention rates than is historically the norm.

General, do you want to add to that?

General CARTWRIGHT. I think the retention rates are something that is a quick look; you can kind of get a sense of how many people are coming in. The longer term, which does not come right away, certainly revolves around the satisfaction that the individual soldier, sailor, airman, marine feels for the duty that he is performing.

Even longer term and more problematic and one that we are keeping a very close eye on is the satisfaction of the family. This is a hard stress on a family and over time the question is have we

focused and provided the right incentives to keep the families engaged and do they feel like the contribution is meaningful.

Dr. Chu has certainly undertaken a broad program that goes out and looks at the benefits that we associate both with the individual service member and the benefits associated with the family, making sure that we describe service when a Reservist comes on duty that equates to the service that we actually demand of them. This gets at the idea of if there is a certain amount of readiness that we associate with a particular soldier, let us say, in the Reserve or the Guard, i.e., that we expect him to be up and available for 1 year out of every 5 or 6 years, or whether we expect him to come on service at a short notice, that that is understood right up front and that that is what they sign up for.

So we are looking at a broad range of things that get at the issue of the continuum of service, not just at the recruiting piece, because you have got to look broader than just the recruiting piece.

FORCE STRUCTURE

Senator BURNS. Well, Senator Inouye brought up a very valid point, and correctly so, on benefits and this type thing. A lot of us, every Senator sitting here at this table, when the trend started of bringing down our force structure of people on active duty, our regular forces, and when those numbers were dropped and then more emphasis was put on our Reserve and Guard forces, we all went to work and started to redevelop, to take a look at the infrastructure under which those Guard and Reserves are trained, that they have to have facilities and a training procedure that makes them as good as those who train every day.

I think most of us who did that under the leadership of this committee and the Armed Services Committee, understood that. I just wonder, because we have integrated forces. The Red Horse Brigade out of Mount Storm Air Force Base is integrated Reserve and active duty forces. In fact, their first commander was a Reservist. That will work pretty well as long as we integrate those troops along with communication and training that is at least equal to our citizen soldiers, sailors, and marines.

I think we have to discuss that, because it becomes a vital part of our force structure.

CACHES OF ARMS

I was in Iraq last October and we were in the northern part, Mosul, where they were finding tremendously large caches of conventional arms that Saddam had stored and stashed away. I cannot help but think, as we see these bombs, these roadside bombs, that within those caches that we have found and those that we have not found is a supply of explosives that is much deadlier when used in a very creative way.

Are we continuing to search for those caches and to destroy the ones that we have found?

Dr. ZAKHEIM. Please, let me start and I will then turn it over to the General.

The answer is yes. We are also using Iraqis to do a lot of that. There are really two parts to this. One is to search for them; the other then is to guard them. Iraqis are providing a lot of the guard

units for that. We do continue to search, and the more intelligence we get—and we are getting more intelligence, and the best sources are the Iraqis themselves—the more we are able to quickly find these ammunition storage facilities and to guard them and dispose of them.

General?

General CARTWRIGHT. Clearly, a very aggressive effort, both in Afghanistan and Iraq, to go after these caches, find them, dry up that source as quickly as we can. The good news is that both in Afghanistan and in Iraq, as the forces, the local indigenous forces, stand up, as we use the tools available to us to create a conduit of information back and forth between locals, that has become our richest source of finding these caches.

So in the case of Iraq, it is the Iraqis who are actually helping us go find those, get them, get them into a safe place, get them destroyed or disposed of otherwise. But the key here is programs like—and we talked about it earlier—the CERP fund, where we establish a relationship in the community and then the information starts to flow, are so critical to the soldiers as they try to do this.

Senator BURNS. Mr. Chairman, it says “stop” here. You never say “whoa” in a horse race. Oh, we are doing okay yet?

Senator STEVENS. You still are.

Senator BURNS. Well, this thing makes funny noises and has funny colors to it.

Along that same line, there are some technologies supplied by or are being developed in some of our colleges and universities, also in small businesses, and especially in my State, that would help us to find both weapons and personnel underground. Have we seen any acceleration of taking a look at these technologies and obtaining those technologies and then deploying them?

Dr. ZAKHEIM. The answer is yes. DARPA, our Defense Advanced Research Projects Agency, in fact has—and I cannot get into detail in an open forum, but they in fact have been accelerating a number of these technologies, precisely for the reasons you gave, in order to get them on the ground quickly. We have got some on the ground quickly, and we are certainly prepared to brief you in private as to what we have done.

Generally speaking, I think DARPA is open to ideas and suggestions. Anything that will particularly help the forces is welcome.

Senator BURNS. Well, we established a program called the Experimental Program to Stimulate Competitive Research (EPSCoR) many years ago when I first came to this body and that allowed consortias of smaller colleges and universities to do research and development (R&D) on many projects. Montana State University, I think you probably know, have made significant improvements to laser technology and have developed a lot of the technology that you are working with now.

But I hear that it is hard to get into the good old boy network every now and again, and we have got to watch that because there are some creative people outside the norm, because EPSCoR has allowed these people to do a lot of R&D work in areas where it traditionally had not been found. I would like to see a little more notice taken of some of the advances that have been made.

Mr. Chairman, thank you very much.

Dr. ZAKHEIM. Senator, if you contact me about this I will forward whatever information you have to Ron Sega, who heads up that area in our Department. I do know that there is no old boy network functioning with regard to force protection. They are trying to get at whatever is out there.

Senator BURNS. That is good, but it is still alive up here.

Thank you very much.

Dr. ZAKHEIM. Mr. Chairman, just to correct for the record a couple of things. First, Senator Byrd got it absolutely right. I had flipped my history. I told you, Senator, you have a better sense of history than I do. We used supplementals for Vietnam in the first several years, 1965, 1966, and then we went over to baseline budgets in the years you mentioned. Of course, by that time we had a better sense of where we were headed with that, I believe. But in any event, I had gotten the years completely reversed.

I also had a question earlier about buying HMMWV's that were not up-armored and I am told by the Army that in fact we are buying some number that are not in 2005. We are buying a total of 2,431 HMMWV's; 818 of those are up-armored, the rest are not. So I wanted to be clear for the record on that, sir.

Senator STEVENS. Thank you very much.

I assume you are marking those so they are not going to be sent over to a war zone accidentally?

Dr. ZAKHEIM. The intention is that everything that goes over there is up-armored.

Senator STEVENS. That is not what I asked. The ones we are procuring new that are not up-armored, are they clearly marked so they cannot be sent into war zones?

Dr. ZAKHEIM. That is my understanding, but I will look into it for the record.

[The information follows:]

Both standard and Up-Armored High Mobility Multipurpose Wheeled Vehicles (HMMWV) are being procured in fiscal year 2005. HMMWVs which are not Up-Armored are visually identifiable. New, non-up-armored HMMWVs coming out of production are programmed to fill unit shortages according to Army priorities. Both standard and Up-Armored HMMWVs will continue to be available in the theater of operation for use as appropriate by the Combatant Commander. Production of Up-Armored HMMWVs is a Department priority and production is being increased to meet CENTCOM requirements.

Senator STEVENS. Thank you.

I understand the Senator from West Virginia's point. I distinctly remember raising the question several times during Bosnia, Kosovo, all of those, even with the first President Bush in Somalia. We did not get budget estimates. We ran those wars on supplementals. That is not something this committee really believes in, but it has become a practice, whether we like it or not. But the Senator made about the same speech I did, as a matter of fact, in 1999 as we approached an election.

But let me shift to something else. I am worried about this budget because I have before me your chart—I wish you had brought it in a big chart so everyone could see it. 1969, 8.9 percent of our gross national product was dedicated to defense. And if you look at 1969, that was 43.4 percent of the national budget. Now we are looking at a budget that is 3.6 percent of the gross national product. In the year 2000 the budget request was 2.9 percent. We are

looking at, instead of 43 percent of the Federal budget, we are looking at 17.9 percent of the Federal budget being committed to defense.

As I look at our projections, there will be an increase over the next 5 years, not near enough to move us back up to the point where we traveled for the 10 years of the 1980's, somewhere in the vicinity of 20 percent of the Federal budget and in the vicinity of 6 percent of the gross domestic product.

OUTLAYS

Now, I want to ask this. These outlays, do they include the costs of the war?

Dr. ZAKHEIM. The outlays in the charts for 2004 do, yes, sir. Obviously, not for 2005. But they do include the costs of the war. Anything that is an actual outlay is included, sir.

Senator STEVENS. I am worried about the trend in terms of being able to maintain the kind of a military we need if we are going to not restore the concept of committing a sufficient amount to our defense. I remember traveling the world with Senator Jackson where we urged our allies to commit at least 3 percent, and we in those days were between 6 and 8 percent of the gross national product.

What are our allies doing now? How much are they committing to defense, do you know?

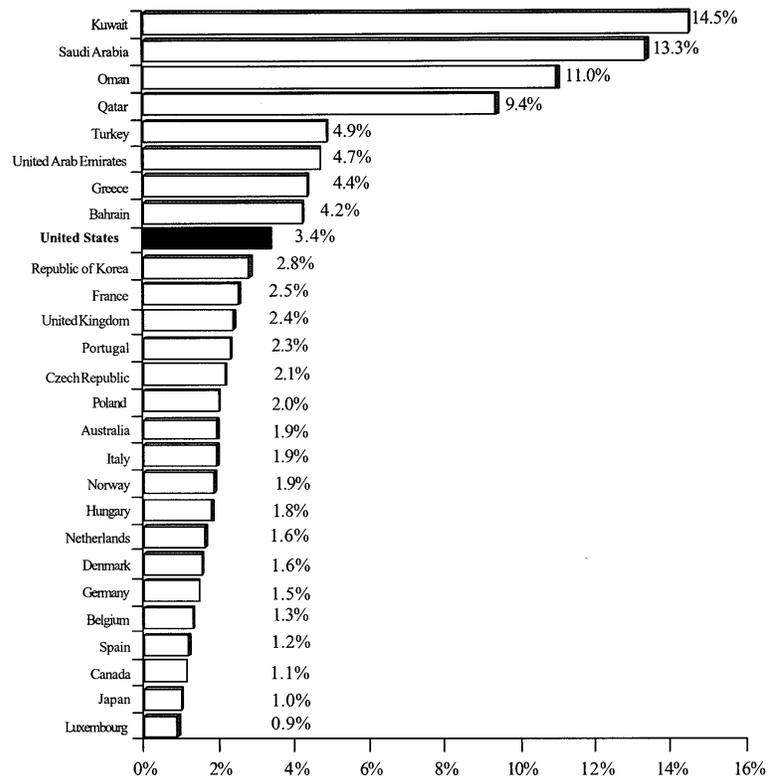
Dr. ZAKHEIM. Off the top of my head, sir, I believe that many of the allies that we tried to get to reach 3 percent in those days are still not at 3 percent today. In our case, of course, our gross national product is in the trillions and so 3.6 percent of such a large amount of money is still very, very significant.

But nevertheless, I think it is fair to say that in most cases our allies are not at the 3 percent of their gross domestic products, and I can get you the answer for the record.

[The information follows:]

Please see the attached information on allied defense spending from the 2003 Responsibility Sharing Report.

Chart II-3
Defense Spending as a Percentage of GDP
2002



Dashed line represents the overall average defense spending as a percentage of GDP for all the nations covered in this Report -- 2.5 percent.

BUDGET

Senator STEVENS. Well, I asked that other question that you have just implied of the staff. We have not gotten the answer back yet. But I think that the amount of your budget now, which is roughly, what, 400—

Dr. ZAKHEIM. 401 and change, yes.

Senator STEVENS [continuing]. As compared to the \$200 billion in 1981, the first budget that Senator Inouye and I handled in defense, I think it is less than it was in terms of real dollars, than it was in 1981.

Dr. ZAKHEIM. I do not believe it is less than in 1981. Certainly it is less than the 1985 real dollar number, which was the peak of President Reagan's years, and I was part of that administration. But you are absolutely right, you cannot just take the \$400 billion and compare it to the \$200 billion because there is an inflation factor and there are also much increased benefits that did not exist in 1981.

Senator STEVENS. Well, I am told in constant dollars what you have is an increase from \$257 billion to \$393 billion between 1981 and 2005.

Dr. ZAKHEIM. I thought it was a little higher, sir, yes.

Senator STEVENS. That to me is not an increase that recognizes our global responsibilities now as compared to then. I wonder how you can maintain a global war against terrorism without some additional modernization.

ARMY AVIATION PROCUREMENT

Let me switch over to that if I may. We have not seen some of the details on the Comanche termination and what is going to happen there. Is our understanding correct that the money from the Comanche termination, the net will be shifted over to the Army aviation procurement accounts?

Dr. ZAKHEIM. That is correct. Basically there is really a change in the whole approach to Army aviation. What is happening to Comanche is only a part of it. I can give you some detail. We are going to modernize 1,400 aircraft and, because of the funds available from Comanche, an additional 284 Apache Block 3's and 19 Chinooks. We are going to acquire almost 800 new aircraft, both for the active and for the Reserve, and that is more Chinooks, more Blackhawks, and a light utility helicopter.

Senator STEVENS. When will we see those modifications in the budget?

Dr. ZAKHEIM. We are going to be sending up an amendment very quickly, sir, and that will address both sides of the equation. That is to say, moving the money out of Comanche and moving the money into many of the programs that I have mentioned.

Senator STEVENS. Will that change in any way the requests that are before us for the Army for 2005?

Dr. ZAKHEIM. I would have to check on that. I think that basically it is pretty much in balance, but I would have to get you that for the record. I do not think it will be significant, no, sir.

[The information follows:]

The Army 2005 budget request does not change in total but there has been realignment of resources between accounts. Army Research and Development is reduced by nearly \$1.2 billion. A majority of the resources, \$828 million, will be re-applied to support Aircraft Procurement, acquiring high priority helicopter equipment and additional CH-47, UH-60 and TH-67 aircraft. Another \$155 million is re-applied to Procurement of Ammunition, principally to support acquisition of additional Hydra rockets, and Missile Procurement has been increased by \$93 million for the purchase of additional Hellfire missiles. Smaller adjustments have been made in several other accounts and the precise details of all adjustments are included in the fiscal year 2005 Amended Budget Submission that the Department has forwarded.

Senator STEVENS. It is basically a shift from R&D to procurement?

Dr. ZAKHEIM. Yes, sir.

Senator STEVENS. We have, I understand, a 2004 shortfall on the global war against terrorism of \$700 million, is that right?

Dr. ZAKHEIM. I would have to look at that, the basis for that number. I do not recognize that figure, sir.

Senator STEVENS. Well, we are talking about the defense health program. Is there a shortfall there?

Dr. ZAKHEIM. In the defense health program? I would have to look at that.

Senator STEVENS. Attributable to the global war on terrorism?

Dr. ZAKHEIM. I am told that in fact there is that shortfall and we are going to reprogram money to cover it. So we will be sending you a reprogramming action for that.

IFF

Senator STEVENS. All right. Why are they not, those shortfalls, not being funded from the Iraqi Freedom Fund (IFF)?

Dr. ZAKHEIM. I have to look at where the sources will come from. We will clearly fund the shortfall from the most acceptable source, and of course we have to send those sources up to you.

Senator STEVENS. Well, can you answer me this. Is the Iraqi Freedom Fund, which we created for the fiscal year 2003 budget—it was the supplemental really—has that been exhausted?

Dr. ZAKHEIM. Not entirely exhausted. We are still reprogramming money out of the IFF. We are coming close to exhausting it, yes.

Senator BYRD. Mr. Chairman, how much money does remain in that fund?

Senator STEVENS. Well, I was just going to get to that. I do not like to see any of these funds left, have us get supplementals when there is money in technical funds we created in the past that is not being charged. Are you doing that, Mr. Zakheim?

Dr. ZAKHEIM. No, I do not think that is the case at all. We anticipate using it all up. Actually we are almost there. I am trying to get the numbers for you and I hope before this hearing is over I will be able to tell you exactly where we are with what remains of the IFF. But I do not think it is a situation of asking for more money over and above what we have because we have more money in the kitty. That is not the case at all.

Senator STEVENS. Well, you are the Comptroller. Do we have existing funds over there? These are 2003 funds now we are talking about.

Dr. ZAKHEIM. That is correct.

Senator STEVENS. I do not understand why those funds were not used.

Dr. ZAKHEIM. Out of the \$1.9 billion IFF, the Iraqi Freedom Fund, we have already committed over \$1.5 billion. So we are down to about \$400 million in the Iraqi Freedom Fund. For example, that in and of itself would not cover the DHP, the defense health program. But in any event, the health program is not directly war related, so we would have to fund it out of something else. The IFF is for what is directly war related.

As I said, we are down to \$400 million, or less than 25 percent, of the original IFF and that will be expended pretty soon.

Senator STEVENS. I would hope there would be a policy of charging some of those funds like that, these reprogrammings, so that we do not create additional demands.

Dr. ZAKHEIM. It is in fact the policy to do that, but we can only reprogram for things that are directly war related. So in the case of the DHP we could not do that.

Senator STEVENS. I am not going to comment on that. We have seen it done before, let us put it that way.

Gentlemen, I am going to have to leave here in a minute. We have got a 10-minute rule here, so I presume each member would want another 10 minutes. I will leave the gavel with the co-chairman and thank you very much, Mr. Zakheim.

Dr. ZAKHEIM. Before you go, sir, I was passed a note without the right numbers. IFF is completely committed for 2003, which is what you were asking me about. The \$400 million that is left is in the IFF of 2004. So here we are in the second quarter of 2004, we have committed \$1.5 billion out of \$1.9 billion, and the 2003 is completely committed.

Senator STEVENS. Senator Inouye.

Senator INOUE [presiding]. Thank you.

I am glad that the chairman brought up the matter of shortfalls in military medicine and health care because in all the studies that we have looked at men and women in uniform are more concerned about health care than pay.

That being the case, I have been also monitoring some of the assignments we have made of military personnel in medicine. I note, for example, that from Walter Reed we have been sending doctors to Iraq who are specialists. One just sent there is a specialist in knee replacements, which is a highly specialized area.

Senator STEVENS. Senator, would you yield to me just 1 minute? I apologize.

Senator INOUE. Certainly.

Senator STEVENS. When the subcommittee closes out today, our next hearing will be at 10 a.m. in this room for a hearing on the Army's fiscal year 2005 budget request.

Thank you, Senator.

Senator INOUE. Thank you.

As I was saying this doctor is being sent to Iraq for 6 months. He wants to go there to do his part, but in 6 months he is not going to do one knee replacement, he is not going to do any one of those highly skilled specialties, and when he gets back he will have to go back to school again.

Why do you not have a policy that would, say, limit these people to 3 months?

Dr. ZAKHEIM. I would have to refer that to Dr. Winkenwerder and Dr. Chu.

Senator INOUE. I am not a doctor, but it just does not make sense. You send someone out there and you are going to lose all his skills.

Dr. ZAKHEIM. On its face the question is an excellent one. I am sure there is an answer and a response. I do not know if General Cartwright is into that, but I claim no particular expertise. I would have to get you an answer for the record based on what Dr. Chu and Dr. Winkenwerder were to tell me.

General CARTWRIGHT. We need to go back and look at the case for you, Senator.

Senator INOUE. I would appreciate that, sir.

[The information follows:]

Surgeons are chosen for deployment based on the skill qualifications requested by the combatant commander.

Once a requirement for a certain specialty is validated (in this case, orthopedics), the skill set requirement is matched to the skill level of the surgeons available to meet the requirement. Each Service has a system for coordinating these requests, utilizing its specialty consultants, medical manpower experts, and others familiar with the necessary skill qualifications. While orthopedists may have a subspecialty (in this case joint replacement) they are trained in (and typically treat) the full range of cases that may present. Indeed, well-trained orthopedists are critical to caring for the wounds occurring in Iraq.

Moreover, this rotation will help maintain excellence in the Military Health System's graduate medical education programs. Even the most highly trained subspecialists need operational/deployment military medicine expertise in order to be fully competent and credible role models and teachers for military physicians in training.

This six-month period for the rotation balances the needs for the combatant commander with prudent use of highly trained medical staff.

Senator INOUE. Senator Byrd.

ROTATION OF FORCES

Senator BYRD. Thank you, Mr. Chairman, my esteemed friend.

References have been made to a rotation of forces. The administration is in the midst of a massive rotation of forces in Iraq. Is the cost of rotating these forces reflected in the average monthly cost of \$4.2 billion for operations in Iraq?

Dr. ZAKHEIM. To the extent—remember, Senator, that the monthly costs we have up to now only reflect what we have up to November. But the answer is yes, sir, those rotation costs will be reflected in the monthly costs. So that here we are in March; I do not expect to see any actuals until probably the June timeframe.

Senator BYRD. Recent news reports indicate that the Pentagon and the Central Intelligence Agency (CIA) are stepping up the intensity of the hunt for Osama bin Laden. Is that increased effort requiring any corresponding increase in the average monthly cost of operations in Afghanistan or in the number of military personnel in Afghanistan?

Dr. ZAKHEIM. At this stage I simply do not know. Should there be an increase, it will be reflected. But again, that is not something I will be able to address in any detail for the next couple of months.

Senator BYRD. Do you have any idea, any indications as to whether or not the effort is requiring any corresponding increase in the average monthly cost of operations in Afghanistan?

Dr. ZAKHEIM. General, do you want to?

General CARTWRIGHT. The only thing I would say, Senator—and it would be reflected—is that as the weather gets better the opportunity to do more will be there and we will try to take advantage of that. To the extent that that is a delta between what we are doing in the winter versus what we are doing in the spring and the summer would be the difference.

Senator BYRD. General, does the Department anticipate any substantial drawdown of U.S. forces from Afghanistan at any point in

the near future, keeping in mind the increase, the stepping up of the intensity of the hunt for bin Laden?

General CARTWRIGHT. The program for 2004 is laid out and is relatively stable and includes the efforts that we have to chase after various targets. The longer range look, as I said earlier, our intent is to move out of there as quickly as the country is ready to take over. So that remains a little bit cloudy and ambiguous right now.

Senator BYRD. Is there anything you can tell us about this hunt for Osama bin Laden? We have been reading a good bit about it. There are some reports that he has already been caught—I heard that report 2 or 3 days ago—and that the administration is waiting, waiting until a more opportune time to make the announcement. I did not give a great deal of credence to that, but I am not surprised at anything these days.

Dr. ZAKHEIM. Senator, you are right not to give much credence to that, particularly, as you know, the Middle East is a place where rumors start circulating and grow with the passage of days and hours.

Senator BYRD. Just in the Middle East?

Dr. ZAKHEIM. That is the area we were addressing just now, sir.

Senator BYRD. But you are making a rather broad statement when you say that in the Middle East rumors—

Dr. ZAKHEIM. There have been a lot of studies to that effect, about the impact of rumors on perceptions in the Middle East. That is why I referred to that one, sir.

Senator BYRD. All right. Let me get back to my earlier subject of contention perhaps. The Department of Defense has adopted an all or nothing approach, sending Congress an ultimatum: Either give the Pentagon a blank check for \$10 billion, as was requested 2 years ago, or the administration will wait until untold billions have already been spent before asking for a supplemental appropriations bill. And we have done both. We have advanced that slush fund, as you might call it, of \$10 billion, a blank check, and then at the same time we are still depending upon supplemental appropriations bills.

This is an unnecessarily confrontational and shortsighted posture. So I have to continue to express my disappointment in this method of approach. Now, you can go back to preceding administrations, if you can find it to be a fact in each case, and talk about the war in Vietnam, the war on Bosnia, the war in Korea, or whatever. We are here to appropriate moneys today and we need to know, we are entitled to know, what the facts are.

The American people, and we are here to represent them, are entitled to know what the costs of this war are and what the estimate of the future costs are going to be. There is an election coming up and there is a pretty well-founded suspicion, it appears, that these figures are going to be withheld from the people's elected representatives in Congress before the election, but that after the election, then the costs will be sprung upon us.

I think it is a poor way to legislate. I am in my 46th year here on this committee and my 51st year on the Hill, in Congress. And we have not seen it done like that before, and this administration continues, it seems, to proceed in this manner.

IRAQ RECONSTRUCTION FUNDING

Now, let us talk about the supplemental Iraq reconstruction funding. The OMB Director, Josh Bolten, stated that he estimates that the administration's supplemental appropriation request, whenever it may be submitted, could be in the neighborhood of \$50 billion. Dr. Zakheim, does that estimate include any additional funds for reconstruction projects in Iraq?

Dr. ZAKHEIM. To my knowledge it does not.

Senator BYRD. Can you give a ballpark estimate of what additional reconstruction funds the administration might request for Iraq on top of the \$18.4 billion that was appropriated last fall?

Dr. ZAKHEIM. I cannot, and permit me to explain why I cannot. The \$18.4 billion was not really a 1-year request. It was a request for essentially front-loading what would be an international effort to reconstruct Iraq. I was personally involved in organizing the Madrid conference. There we got commitments of up to \$17 billion for reconstruction from the international community. Just this past weekend there was a meeting in Abu Dhabi where the United Nations and the World Bank trust funds announced they were open for business and countries started to commit money to those trust funds.

In addition, there are the revenues that are coming from Iraqi oil. If you add all of those—our commitment, Iraqi oil, other revenues that are still coming in from frozen assets and Oil for Food contracts that were not implemented, as well as the international contributions—you are in the vicinity of about \$50 billion.

So that it is not at all clear at this stage just how much more we as the United States might have to contribute. I think the general sense is that, should we feel there is a further need for reconstruction funds, it would not be packaged as a supplemental, but instead be part of our total foreign assistance budget and sent up to the Congress that way.

Senator BYRD. Just before the White House sent Congress its draft of an Iraq war resolution in September 2002, some proponents of confrontation with Iraq said that Members of Congress should explain to the American people their position on Iraq before the midterm elections. Now the administration wants to delay until after the upcoming Presidential election sending Congress the bill for keeping our troops in Iraq for another year.

Dr. Zakheim, since the administration was so keen on getting the authority to go to war right before an election, does not the administration have the responsibility to let the American people know how much this war will cost? We are almost on the verge of getting into another election, and I think the American people are entitled to know this. What do you think?

Dr. ZAKHEIM. Well, sir, I certainly agree with you that there is another election coming. I think people can disagree about this. As we see it, we do not really have a good estimate. And I would not share your characterization of this as a slush fund. I want to make that clear. That is not how I would look at it. We do provide to the Congress monthly reports on our obligations. We do not have immediate monthly reports. We always run 3 months late.

I believe, just as an analyst that to estimate the costs of fiscal year 2005 prior to the changes that are going to take place in Iraq and Afghanistan is probably to misestimate those costs, probably to put the wrong dollars in the wrong accounts, and therefore create problems thereafter.

Senator BYRD. Why can you not say, though, doctor: this is the way we see it today. Now, there may be changes. Perhaps this will happen, perhaps that will happen, something else may happen. But, Members of Congress, this is the way we see it today; and on this basis, we would estimate thus and so.

Now, if the administration would be up front like that, then we would have confidence in the administration, what it says. The American people would have some idea, knowing that it is not the final figure, of course, have some idea of what they are going to be asked to pay and over what period, how long a period. This would be, it seems to me, the fair way of proceeding, rather than do as the administration is doing: spend the money, present the Congress then with an ultimatum, give us the check, and Congress in the meantime has had no opportunity to conduct oversight as it is its responsibility, constitutional responsibility, to do.

I see my time is up. Mr. Chairman, may the witness answer my question first?

Senator INOUE. Yes.

Senator BYRD. Thank you.

Dr. ZAKHEIM. Certainly, Senator. First of all, as you know, we do have expenditures that will be going out to September 30. So that is already spoken for and we will have to justify those and we will report those. The real issue is what do we do about the period between October 1 and roughly January-February timeframe, whenever the next supplemental would be available.

Clearly, it is very difficult to estimate those costs at this time, for the reason I have given you. I do not think this is a deliberate effort to mislead. After all is said and done we know what the monthly costs are right now, \$4.2 billion. We anticipate what the monthly costs will be through the end of September. But beyond that, I do not want to sound like a broken record, but beyond that we just do not know what the impact of this summer's events is going to be like.

The Congress clearly will not have any kind of ultimatum, for the simple reason that if we go to the Congress next January with a request for the entire fiscal year, the entire fiscal year will not have happened by then and the Congress can choose how much and to what degree it wishes to support that supplemental.

Senator BYRD. Mr. Chairman, I do not want to prolong this, but this makes it impossible for the Congress to conduct its constitutional oversight. The money is already spent, then we get the bill. In the meantime, we have no opportunity to delve into the facts which justify x number of dollars. That is number one.

Number two, the President can go before the American people and say that he is going to cut, reduce the budget deficit by half, in 5 years, and he presents the Congress and the people with a budget for this year, and that is what we are working on. That is what these hearings are about. But in the meantime, these moneys

that we will be spending in Iraq and Afghanistan do not show. Those are hidden figures.

So the administration has the advantage, the political advantage, of saying, well, this is our budget for this year. The administration is not counting the costs of the wars in Iraq and in Afghanistan. These costs are on the side, you see. This is a gimmick that this administration is using, I must say, and the American people are being kept in the dark.

This is what I am complaining about, and I hope that we will continue to press the administration to shed some light on this budget. The American people are entitled to have that light because they are footing the bill, and Congress is entitled to have that light. I have never seen it done like this. It is a practice here, it is a pattern, and it is calculated. Everybody ought to be able to see that.

Mr. Chairman, thank you for your patience. Thank you, Dr. Zakheim. You have got a tough job to do. You have a hard job. I know you have to pursue the company line, as we used to say back in the coal mining camps in southern West Virginia, the company line. You have to do that, I know that. Thank you.

Senator INOUE. Thank you very much.

Senator Burns.

PROVINCIAL RECONSTRUCTION TEAMS

Senator BURNS. I think I have only one more question and that will wrap it up for me. We met with some of the folks over in Iraq, and in your statement you referred to it this morning on the PRT's. Would you elaborate on the plan to expand those Provincial Reconstruction Teams in Afghanistan and the cost? Have you got an estimated cost for that?

I know we have one German-led PRT there currently. Are the Germans contributing to the cost of those PRT's? Would you sort of give us some sort of an idea of what is going on?

Dr. ZAKHEIM. Sure. The cost, because that is an answer I cannot give you offhand, I will get you for the record. We had eight. We are up to, I believe, 12 PRT's, of which one is a NATO/German one. That is the one in Kunduz. That is the one I was at. The British are running one in Mazar-e Sharif. The New Zealanders are running another one.

[The information follows:]

There are currently 17 PRTs. 14 are coalition-run (13 by United States and 1 by New Zealand) and 3 are NATO-run, 1 by Germany and 2 by the United Kingdom.

Each PRT was estimated to cost \$5 million to setup. The cost of supporting a PRT has been roughly estimated at \$39,000 to \$98,000 per month. However, the size and composition of each PRT varies. Some have more military personnel, some have more USAID staff. In addition, frequent troop rotations from the U.S. military units supporting the PRTs lead to cost fluctuations. U.S. military units are supporting PRTs are funded with O&M funds.

DOD has provided just under \$30 million in Overseas Humanitarian Disaster and Civic Aid funds for PRT and civil affairs assistance projects combined in Afghanistan to date.

Senator BURNS. I think we ran into ours at Kandahar.

Dr. ZAKHEIM. We have a bunch of them now.

There is a push for NATO—and not just NATO; for instance, the Swedes are going to be contributing and they are not in NATO—

to start four more. In fact, your question about footing the bill goes to the heart of our position regarding these four. We are telling NATO that of course we support four more. We think it is a great idea. We think PRT's work. But NATO needs to provide the support.

The Germans are contributing, although some of the support, the helicopter support, is what we are providing. We have made it clear that was a once-only exception. We are not going to do that. If countries want to contribute to PRT's, and we encourage them to, then they need to cover the costs.

So we hope that eventually a significant number of these PRT's will be supported by the international community. There is talk of a Nordic one. There is talk of a second British one, and so on. There is a lot of interest around the world to contributing to them, because of what they do—and you have seen them. They are unique. There is a mix of troops, of civilians, of representatives of the central Afghan government. They work very well with international nongovernmental organizations. Actually, it is fascinating to see the evolution.

A lot of these organizations were very suspicious of the military and therefore thought PRT's were just a stalking horse for the military. Now it is quite different, and you see people from institutions that you would not dream of having anything to do with the military speaking positively about it. It really is a terrific development, because what it does is enable the central government to demonstrate its reach throughout the country.

Still, if countries want to be involved, they have got to foot the bill.

OPERATIONAL SUPPORT

Senator BURNS. Also, I ask about—and I think whenever we talk about technology, and this thing, I will just throw this as a question out there that I would like an answer to and we can do that in a private conversation also. We had four very good friends during the Afghanistan operation: Pakistan, Kazakhstan, Kyrgistan, and Jordan. I am wondering, are we doing anything in those countries to relieve some of the financial pressure off of those four countries?

Dr. ZAKHEIM. The answer is yes. Congress allowed us, actually with this committee's help, to reimburse a number of countries for the operational support they provide, and Pakistan is by far the biggest recipient. That continues. We are reimbursing Jordan as well. In fact, those two countries were specified in the legislation. But we are reimbursing others, too.

Senator BURNS. Well, we had tremendous support under the circumstances from Kazakhstan and Kyrgistan. I am going to Kazakhstan. I want to be met on friendly terms there when I get there.

Dr. ZAKHEIM. I think you will be.

Senator BURNS. Also, I made a couple trips out at Walter Reed to see some of the troops from Montana that were out there, which is a very rewarding situation. You know, we have got one young man out there who is afraid that they are not going to let him stay

in the Guard and he wants to stay. He took quite a beating over there.

With regard to that, I am told by—you know, the American people I do not think understand really fully, in the medical communities like Walter Reed and our research people on diseases we run into different kinds of challenges whenever we send our troops to foreign soil. I noticed a little bit in this last one that you cut back a little bit on R&D as far as research on the different kind of diseases. You know, we are going through a severe acute respiratory syndrome (SARS) thing now on the Pacific Rim and in China. These people are exposed to these things.

I would question cutting back on your research because I think it is vitally important that the research moves forward in our medical communities, such as Walter Reed, Bethesda, the naval hospital, and that this work continue.

Dr. ZAKHEIM. Well, I will get for the record a breakdown of what has been, to the extent it has been reduced. I think Dr. Chu and Dr. Winkenwerder would be best in a position to give you that answer. I can say, however, that the level of research is still significantly high and it is precisely for the reasons you gave. When we send our troops to different parts of the world, they encounter diseases that have either been eradicated here or never existed here at all.

I know there is a lot of research, not just within the Army medical community; the Army Medical Command manages research in universities, including international universities. Very often you will find that universities in the regions in which these diseases are found have a comparative advantage in terms of dealing with those diseases. That funding continues.

But I will get you for the record details of that.

[The information follows:]

The military infectious disease research program continues to address countermeasures against the same number of different kinds of infectious diseases of military importance. Diseases such as malaria, bacterial diseases responsible for diarrhea, viral diseases (e.g. dengue fever and hanta virus), meningitis, viral encephalitis, scrubtyphus, leishmaniasis, hemorrhagic fever, and HIV are all part of the military infectious disease research program. This research is funded with core dollars out of the Medical Research and Materiel Command's budget. This means that the funds are programmed and budgeted for through the President's Budget process. From fiscal year 2002 to fiscal year 2004, there have been shifts in programs and changes in accounting for indirect laboratory costs. Overall there was a 4.6 percent reduction in the core program between fiscal year 2003 and fiscal year 2004 as priorities changed and other programs emerged in importance.

Senator BURNS. It is a different kind of research than we find in our traditional National Institutes of Health (NIH) or anything else, on infectious diseases.

Dr. ZAKHEIM. Absolutely, that is right.

Senator BURNS. And that has concerned most of us.

Thank you, Mr. Chairman. That is all that I have.

Senator INOUE. Thank you very much.

Pursuant to the direction of Chairman Stevens—

Senator BYRD. Mr. Chairman, might I ask another question?

Senator INOUE. Please do.

Senator BYRD. Thank you, Mr. Chairman. Thank you. I thank the acting chairman, and I thank you, Dr. Zakheim, and you, General Cartwright.

OPERATIONAL POST-HANDOVER NUMBERS

Let me repeat my question earlier. The President sent his \$87 billion fiscal year 2004 supplemental to Congress on September 17, 2003. Roughly 6 weeks later, that request was enacted and signed into law. Now, if the supplemental could be submitted in September in that instance, why can it not be presented in September this year, rather than wait until, was it January I believe you said?

Dr. ZAKHEIM. It is a function of the fact that in the first place we are, unlike September of that year where we were not funded at all, we are funded through the end of September, so that we have operations that will be covered.

Second, we do not feel that it would pose particular difficulties for us to cash flow for about 3 months. Again, as I mentioned earlier, the Congress has its discretion, as you well know, Senator; it can choose whatever it wants to do for the remaining part of fiscal year 2005 in a supplemental or indeed how it wants to treat what we have requested for that first part of fiscal year 2005 in a supplemental.

So the discretion is clearly there. We believe we can effectively cash flow those funds for the first few months. As I said, by September we will not have as yet a sense of the costs after the handover. If the handover is in the beginning of July, we will not have any numbers, any operational post-handover numbers, with which to work in September. It is as simple as that.

We simply cannot come with any credible number. I mean, there will be such a massive—

Senator BYRD. The way you are operating, it is not credible. It is not credible at all. What is the magic about January?

Dr. ZAKHEIM. Again, Senator, as I said, we need a couple of months experience subsequent to the handover in Iraq. That brings us to November-December timeframe. We need a month to put a supplemental together and that brings us to January.

Senator BYRD. Mr. Chairman, just this final. At Secretary Rumsfeld's confirmation hearing, I asked what he was going to do about the Pentagon's broken accounting systems. Three years later, the Department of Defense is still nowhere close to passing an audit of its books. Congress has appropriated more than \$200 million to develop a blueprint for a new computerized accounting system, but work on that plan, which was supposed to be completed in April 2003, is still not yet done.

Meanwhile, DOD will spend \$19 billion this year on those computers, on top of the \$18 billion spent in 2003 on those faulty systems. You, Dr. Zakheim, and Secretary Rumsfeld have recognized the seriousness of these accounting problems. But how can you justify spending tens of billions of dollars on these computerized accounting systems when you do not even know how to fix what is wrong with those systems that we are pouring money into?

How much more time and money is it going to take before the Pentagon can pass an audit of its books?

Dr. ZAKHEIM. Senator, as I have said for the last 2 years and as you and I have discussed, there are a number of steps necessary if we are going to get this right. We did in fact complete the enter-

prise architecture to which you refer on time and under budget in April 2003. We still have to test it with various pilot programs.

The game plan was always to try to get a clean audit by 2007. Now, we are not just waiting for the next 4 years to make that happen. Huge amounts of assets and liabilities have been added to—and are now showing on our books. Our fund balance with the Treasury has improved significantly. We have cut back on problem disbursements by, I believe, approximately two-thirds. I can get you all those numbers for the record.

[The information follows:]

In January 2001, the Department's problem disbursements stood at \$4.163 billion. As of January 2004, we have reduced those problem disbursements by 65 percent to \$1.437 billion.

Dr. ZAKHEIM. Frankly, I thank you for your encouragement in this regard. It has made a difference. We are trying to change the culture and the culture is changing. We review, I personally review, financial statements four times a year together with OMB, the Inspector General, and the General Accounting Office, sitting in my office reviewing these statements.

We have cleaned those up. We have improved the footnotes, which nobody ever used to bother to read.

Senator BYRD. I hope you are getting overtime pay.

Dr. ZAKHEIM. Well, I have not gotten it yet, sir.

But I guess my long answer to your good question is we are on schedule to have clean audits by 2007. We are doing a lot of different things, and I will get you a fuller answer for the record.

[The information follows:]

But I guess that my long answer to your good question is we are on schedule to have clean audits by 2007. We are doing two major things in this unprecedented effort. First, I have directed fund holders within Defense to develop financial improvement plans which detail how the fund holder will overcome its deficiencies which prevent it from obtaining an unqualified audit opinion. Plans identify deficiencies, corrective actions by financial statement line item, and prepare the entity for audit. Lastly, I have established an executive steering committee (ESC) to oversee execution of the initiative. Committee members include the Deputy Chief Financial Officer, the Deputy Comptroller, Program/Budget, the Director of the Defense Finance and Accounting Service, and the Inspector General, DOD. In accordance with Section 1008, the ESC reviews the plans and prioritizes assessments and audits of entities when they assert audit readiness.

Senator INOUE. If there are any additional committee questions, they will be submitted to you for your response.

SUBCOMMITTEE RECESS

Senator BYRD. Thank you. Thank you, Dr. Zakheim.

Thank you, Senator.

Senator INOUE. Thank you very much.

Pursuant to the direction of Chairman Stevens, the hearing is recessed.

[Whereupon, at 12:20 p.m., Monday, March 1, the subcommittee was recessed, to reconvene at 10 a.m., Wednesday, March 3.]