“FY 2013 Military Construction Budget Request”

Statement

of

The Honorable Robert F. Hale
Under Secretary of Defense (Comptroller)

before the

U.S. House of Representatives

Committee on Appropriations

Subcommittee on Military Construction,
Veteran Affairs, and Related Agencies

March 1, 2012

Embargoed Until Released
by the House Appropriations Committee

Mr. Chairman, members of the Committee, thank you for the opportunity to discuss the Military Construction and Family Housing portion of the Fiscal Year (FY) 2013 Budget for the Department of Defense.

As always, your support is essential if America's all-volunteer force is to have the infrastructure and facilities needed to ensure our national security and to carry out its missions around the world.

To put the Military Construction and Family Housing requests into context, I will begin with a brief summary of the President's Budget for the entire Department – with a focus on the portions of the Defense budget that most affect Military Construction and Family Housing. Then I will highlight a few key financial issues related to facilities. My colleagues from the Services will provide further discussion of their Service programs.

Base Budget and OCO Requests

Mr. Chairman, the Department's request for FY 2013 seeks $525.4 billion in discretionary budget authority. Adjusted for inflation, that is a reduction of 2.5 percent, the third consecutive year of real decline in the Defense budget. In the years beyond FY 2013, the budget will grow modestly, enough to keep up with inflation and in some years a bit more.

In addition, for Overseas Contingency Operations, we are asking for $88.5 billion in Fiscal 2013, a reduction of $26.6 billion below the fiscal enacted amount of $115.1 billion in FY 2012. This proposed budget reflects the withdrawal of combat troops from Iraq last December, as well as savings due to operational progress in Afghanistan and the beginning of the transition to Afghan responsibility for their security.

Our overall budget is consistent with the provisions of Title I of the Budget Control Act of 2011. However, our request does not assume the sequestration specified in Title III. If enacted, the President's budget would provide a basis for halting sequestration, while ensuring the maintenance of a strong national defense.

To reach the base funding requested in this budget, and to be consistent with the Budget Control Act of 2011, we reduced defense funding for FY 2013-2017 by a total of $259 billion compared to last year's plan. Our budget reductions were shaped by a new strategy for defense and by three key principles related to that strategy:

- More disciplined use of resources,
- Reductions in forces and investment consistent with the strategy,
- Support for the All-Volunteer Force but also a review of military compensation.

We achieved $60 billion in savings – about one quarter of the total required reduction – through more disciplined use of Defense resources. Our proposals include reducing expenses in the Office of the Secretary of Defense and the Defense Agencies, continued efforts to cut back on IT expenses, and improved buying practices. Of

particular interest to this Subcommittee, we rephased Military Construction projects in view of planned force structure cuts.

Our new national security strategy provides additional opportunities for savings through force structure reductions. By the end of FY 2017, the Army will eliminate a minimum of eight brigade combat teams, the Marines will disestablish six battalions and four tactical air squadrons, the Air Force will eliminate seven tactical air squadrons and a number of mobility aircraft, and the Navy will retire nine ships.

In short, we are planning for a force that is smaller and leaner, with ground forces that are no longer sized for large, prolonged stability operations. We are reducing Active Duty end strength by 102,400 between the end of FY 2012 and the end of FY 2017. These reductions mostly affect ground forces. The new five-year budget plan calls for an end strength reduction of about 72,000 Army soldiers and about 20,000 Marines by FY 2017. This will result in an Army of 490,000 soldiers and a Marine Corps of 182,100 Marines. Reductions in the Navy and Air Force will be substantially smaller. We will also reduce end strength in the Reserve Components by 21,500 by FY 2017, resulting in a total Reserve force of 825,600, with Navy Reserve and Air Force National Guard Components experiencing the greatest Reserve force reductions.

These reductions in force structure require that we consolidate our infrastructure. We are, therefore, asking Congress to authorize two new rounds of the Base Realignment and Closure (BRAC) program, one in FY 2013 and the other in FY 2015.

The Department's shift to a smaller, leaner force increases the need to ensure that our forces are ready and agile. That puts an emphasis on Special Operations forces, which are increasing in size. We will also maintain the current size of our bomber and carrier forces, which can essentially self-deploy. Readiness concerns led us to increase our Operation and Maintenance budget, which will increase by six percent in our request even as our overall budget falls by one percent.

Another goal is to rebalance our forces towards the Asia-Pacific and Middle East regions. Of particular interest to this Subcommittee, we have made a commitment to enhance U.S. military presence in Australia on a rotational basis and are discussing options to improve security cooperation with the Philippines. We will also forward deploy a number of Littoral Combat Ships in Singapore and three patrol craft in Bahrain. Since we do not expect to fight alone, our FY 2013 budget continues to invest in strong alliances.

We must plan for other investments in high-priority initiatives. That does not mean that we will spend as much as we planned last year, but investments will be substantial even in these difficult times. Specifically, we will invest substantially in our Special Operations forces, unmanned aerial systems, and cyber security.

At the same time, we are making judicious reductions in key weapons where those cuts are consistent with our new strategy and good management. Compared with

last year's plans, we are reducing funding by $15.1 billion over the next five years for the Joint Strike Fighter, and we are cutting shipbuilding by $13.1 billion with an emphasis on cutbacks in support ships. We will terminate six weapons programs including the Global Hawk Block 30 program – a program that is no longer cost effective as a replacement for the U-2 aircraft. Instead we will extend the life of U-2 planes.

Turning to the All-Volunteer Force (AVF), we will continue to support many programs – family support, health care, and others – that nurture the AVF. At the same time, we cannot ignore the growth in military pay and benefits -- up almost 90 percent since 2001 (about 30 percent more than inflation) while net end strength grew only 3 percent.

Obviously, we need a military compensation system that is commensurate with the stress in military life. That means we cannot simply copy the civilian system. We have to be sure that we have a system that allows us to attract and retain the people we need. And we are committed to ensuring that no one's pay is cut.

However, we found it necessary to slow growth in pay and benefits to avoid overly large cuts in force structure and modernization. We are proposing changes that will save about $30 billion over the Future Years Defense Plan (FYDP) or slightly more than 10 percent of our $259 billion savings target.

Our budget for FY 2013 includes a pay raise for the military that is consistent with the Employment Cost Index (ECI). We will propose a raise in 2014 that is consistent with the ECI but, in later years, we will propose raises that are lower in order to control personnel costs. Restricting changes to future years will provide Service Members and their families with time to plan. Adjustments to pay raises will lead to savings of $16.5 billion over the FYDP.

For military healthcare, we are proposing increases in TRICARE Prime enrollment fees, using a tiered approach with higher fees for higher-ranking retirees earning greater retired pay and lower increases for more-junior retirees earning lower retired pay. That's for Prime, the HMO version of TRICARE. For TRICARE Standard/Extra, which are the fee-for-service options, we will ask Congress to enact a new enrollment fee and higher deductibles. We will also ask for a new enrollment fee in the TRICARE for Life program – for retirees 65 and over – again using a tiered approach. And we will continue to increase pharmacy co-pays, aimed at encouraging people to order by mail and to use generic-brand prescriptions. Medically retired members, their families, and survivors of members deceased while on Active Duty would be exempt from these benefit adjustments.

We are also asking Congress to set up a Military Retirement Modernization Commission that will have the time and staff to look at this complicated area of military compensation and to make recommendations. We envision a process much like those followed by past BRAC commissions. The Administration believes in full grandfathering

to protect the benefits for current retirees and those serving in the military at the time of enactment.

Military Construction and Family Housing

The Military Construction and Family Housing portion of this Budget supports the various objectives I just noted. For FY 2013, we are asking for $11.2 billion for Military Construction and Family Housing.

Of the $11.2 billion requested, $9.1 billion is for Military Construction. This request will provide operational and training facilities and supporting infrastructure. It also continues to recapitalize aging facilities – beginning with those with the greatest needs – and to modernize DoD facilities to support the U.S. military and their families, including dependent schools, dorms and barracks, and medical facilities.

The FY 2013 budget includes $0.5 billion for BRAC-related environmental clean-up and caretaker costs and $1.7 billion for construction, operation, and maintenance of government-owned family housing worldwide. This investment will help to provide and maintain quality, affordable housing for U.S. military personnel and their families stationed in locations lacking adequate, affordable rental housing.

Selected Issues

I would like to complete my testimony by saying a few words from the Comptroller's standpoint about several specific Military Construction issues.

This budget rephases Military Construction funding for each of the Military Departments. As a result, between FY 2012 and FY 2013, Military Construction funding has been reduced by about 25 percent to 45 percent, depending on the Military Department. We must determine what bases and installations will experience force structure reductions and avoid unneeded Military Construction projects at those facilities. The only exception to this rephasing is in the Defense-wide Military Construction accounts. They grow by about 6 percent, reflecting support for high-priority improvements in hospitals and DoD dependents' schools.

As I mentioned earlier, the Department seeks two new rounds of BRAC in FY 2013 and FY 2015 in order to reduce excess infrastructure. The change in force structure and fiscal constraints make it imperative for the Department to close and realign unnecessary military installations, and we can only do this effectively using BRAC authority. An internal working group is refining the Department's goals for BRAC and deciding how to manage our preparation for BRAC 2013.

Another issue involves the relocation of Marines from Okinawa to Guam. Consistent with the DoD strategic goal of rebalancing our global posture, Guam remains an essential part of our larger Asia-Pacific strategy. The United States and Japan have begun official discussions to adjust our current posture plans. This includes reviewing

the unit composition and number of Marines who will relocate to Guam and delinking progress on the Futenma Replacement Facility (FRF) from the relocation of Marines to Guam. However, both countries remain committed to the construction of the FRF. We will continue to consult with Congress as these discussions progress. Pending further definition of our plan, the FY 2013 budget request includes $51 million for construction of a parking ramp on Andersen Air Force Base and continued planning and design efforts.

Other initiatives in the Asia-Pacific area include the rotational presence of U.S. Marines and Air Force personnel in Australia and forward deployment of Littoral Combat Ships in Singapore. Neither involves infrastructure funding in FY 2013. Funds for the deployment to Singapore are programmed in the FYDP. While no funding request is planned in the FYDP for the U.S. rotational presence in Australia, we will continue planning efforts such as environmental studies and facility assessments.

Lastly, we recently announced changes in U.S. troops stationed in Europe. These include inactivation of force structure associated with the Army's V Corps headquarters and two Heavy Brigades, an A-10 aircraft squadron, an Air Control squadron, and various enablers. These changes notwithstanding, the U.S. will maintain a strong presence in Europe to support our Article 5 commitments and meet the full range of 21st century challenges. There will be a greater emphasis on joint exercises and training to enhance interoperability for coalition operations, as well as new capabilities such as missile defense.

Conclusion

In conclusion, I believe that the FY 2013 Budget is prudent, given the needs of the Armed Forces and the Nation's economic situation. The budget supports a reasonable and responsible Military Construction and Family Housing program. I request your support.

Again, Mr. Chairman, Members of the Committee, thank you for your strong support of the men and women of the Department of Defense. That concludes my statement. After the Service Chiefs complete their statements, we welcome your questions.

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