



# BUDGET COMMITTEE



Judd Gregg, Chairman  
<http://budget.senate.gov/republican>

Contact: Betsy Holahan (202)224-6011  
Jeff Turcotte (202)224-2574  
Sam Donoghue (202)224-0529

**Senate Budget Committee Chairman Judd Gregg's  
Floor Statement (Unofficial Transcript)  
Defense Supplemental Appropriations  
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4:00 pm**

**Chairman Gregg:** I want to speak briefly about the status of the budget relative to defense spending, really more for the purposes of information for my colleagues because we are getting into a process here where there is tremendous confusion over how much we're spending and where it's coming from and how it's being spent, really as a function of what has been the Administration's view that they can fund this war out of emergency supplementals ad infinitum.

Now, traditionally when you fund a war such as this - I guess there isn't much tradition and hopefully there won't be a tradition for war - but if you look back over the wars we have fought as a nation that have gone on for awhile, they have usually started out with significant commitments of emergency funds. No question about that. It's essential to get the troops in the field and get them what they need.

But over time in both the Korean War and the Vietnam War, which are probably the best examples to look at here, the operation and funding of the war has been folded into the regular order, where the authorizations have gone through the Defense Department, have gone through the Defense Authorization Committee, gone to the Appropriations Committee, and there's been some significant congressional oversight.

In fact, in the Korean War, 77% of the cost of that war was funded through the regular budget and in the Vietnam War, about 72% was funded through the regular budget. Now, this war which we are confronted with now is as big as any....

The fact that regrettably the people who wish to do us harm have shown their willingness to kill Americans. They've stated their purpose is to destroy our culture. They've said that if they can get their hands on a weapon that will kill thousands of people they will use it against civilian populations, and they've shown their willingness to kill civilians, Americans on American soil. And so this is a war that must be fought aggressively. And I congratulate the President for the aggressiveness with which he has gone after the terrorists around the globe and the fact he's taken the fight to them.

I've supported that effort. But I also remain concerned that we as a Congress have a role here, which we have to some degree abrogated, and that is a role of oversight as this

effort goes forward. Maybe not so much in the day-to-day operations of war - that should be left to the generals and to the people on the ground, the officers and the men and women who are fighting this war - but to the issue of how the Defense Department structures its core purposes in the context of being in a war.

In fact, for the first couple of years of this effort, when supplementals were coming up and they came up at the rate of \$50 billion, \$60 billion, there appeared to be an almost physical disconnect between the dollars that were be used on the war-fighting effort and the dollars that were being used for the core purposes of national defense. And one could ask the question, was the core purpose of the Defense Department, which was costing in the vicinity of \$300 billion to \$400 billion at the time the last two or three years, was a large percentage of that being used to fight the war or was a large percentage of that being used to maintain traditional operations throughout the Defense Department? It appeared the two were almost decoupled in many ways.

But what evolved here is a process where essentially we have a core defense budget on which we have overlaid an entirely separate appropriations process, and a budget called "emergency appropriations." And we have now had four years of experience in this, and we are averaging about \$90 billion a year of emergency appropriations which are outside the basic budget process and which are being spent on the war-fighting effort. For the first two years of this effort, the Defense Department refused to send up any estimate at all relative to what this would cost, and that seemed to be -- well, it didn't make a lot of sense because we knew we were going to have the soldiers in the field. We knew we were going to pay something, so one could presume we had a cost on that.

At the urging of the Congress two years ago, we put in place a \$50 billion, for lack of a better word, just a holding number to try to cover and identify what that cost was going to be in the context of the entire budget. The Defense Department still at the time took the position that it had no number for that, and so \$50 billion didn't need to be put in. It turned out that they exceeded the \$50 billion by about \$40 billion.

Last year, because we had put in \$50 billion before, the Administration sent up the base defense budget, which was about \$400 billion and then put \$50 billion in because, as was represented by the Deputy Secretary of defense before the Budget Committee, because he said the Congress had done it the year before. He said he could not estimate whether that was going to be the cost of war. He just said they were putting that in because Congress had already done that and so they were trying to track what Congress did. That again didn't make a lot of budgetary sense.

So in the budget that the Senate passed, we put in what had been the average number for this supplemental effort to fight the war, which was \$90 billion. The new Budget Director -- and I give him great credit for this, and I very much appreciate the fact that he has convinced people at the Pentagon to go along with this -- has stated very openly that now this supplemental that they expect in the next budget cycle will be somewhere in the vicinity of \$110 billion to \$120 billion. Which is at least a number which we can work on, a number that has been put forward and appears to be realistic.

I guess the point here is this: where do we stand with all these numbers floating around and do we have any control over this and is there a lot of operational activity that's being basically sloughed off on the emergency accounts so that we end up with the core budget of the Defense Department not being correctly reflected and authorized? And of course the emergency account clearly isn't authorized relative to war fighting and is difficult to reflect. So I tried to put this all together in this chart here.

This chart here basically reflects the situation as I see it and as our Budget Committee sees it. And I really just put these numbers out so people can get a sense of where we're going here and what we're spending because this has become a fairly significant item of the federal activity and is obviously critical to our capacity to fight this war and be successful.

Since 2001, we have had this core budget of the Defense Department, which, as you can see, rose from \$297 billion in 2001, -- the Defense Department had been radically cut back by the Clinton Administration and was really suffering underfunding and in fact, ironically, I recall in the last year and a half of the Clinton presidency, he acknowledged publicly that he had disproportionately cut the Defense Department and was starting to retool it and refund it. The core budget has gone from that \$297 billion, which at the time was even a very low number, below what they needed, up to \$430 billion. This includes the appropriations for the defense bill and the appropriations for the military construction bill. The supplementals in the post-war period, as we dealt with the Iraq situation and the Afghanistan situation, are the red numbers and they've gone \$79 billion, \$88 billion, \$79 billion. Last year, or the year we're presently in, is estimated to be \$125 billion.

And now we're looking at 2007 and this is a number that I think needs to be at least publicly stated so that we actually know what's happening around here. We have the core budget of \$430 billion. On top of that, we have a supplemental within this bill. Before the 2007 bill is even passed and the year has even begun, there is a supplemental within the bill of \$42 billion. Basically, to fight the war. Then \$8 billion came out of money which - last year there was an across-the-board cut in spending which generated about a \$9 billion savings. That money -- well, it generated more than that. But of the across-the-board cut, about \$9 billion was not spent, that came down to about \$8 billion being available. And it has now been transferred over to this defense bill. It could have gone to the defense bill. It could have gone to the H.H.S. bill, whatever bill came to the floor, or it could have been applied to deficit reduction, theoretically.

On top of that, last night there was a \$13 billion add-on to this bill in emergency spending to basically refund the Army and the Marines, who are in desperate shape, I guess, in the area of equipment due to the harsh climate of Iraq and this money was critical. It was declared an emergency. And then the President's representative, Mr. Portman, has -- and again I congratulate him for this -- stated that the full cost of this year's emergency supplementals will be about \$110 billion. And so we can presume that we are going to get at least another \$60 billion in emergency supplementals as we head into 2007 and regrettably I suspect that will be conservative.

But it means that we are going to have a \$553 billion budget in the defense area even though you could argue that the stated budget is \$430 billion in the defense area. These are just numbers and they're facts. But I think it's important that we understand what's happening. And I guess the bottom line of all this is that we have set up a two-track process of budgeting around here and spending. One of which is subject to the proper review process, which is the authorizing process followed by the appropriating process, and the other which is the \$430 billion.

And the other, this part in here has no controls and essentially comes at us from the White House and the Administration where they unilaterally make the decision as to the dollars. And I don't think that's healthy. There's no question the Defense Department probably needs this money. But the purpose of the Congress should be to oversee the use of this money.

And so I am hopeful, because it appears that this process of these very large supplementals has become the modus operandi for both the Administration and the Congress, that we take a hard look at this process and that we consider the fact that maybe there is a better way to do this, that the Congress can intersect a little earlier how we're going to spend this money so that we put the same review into this money that we're putting into the base budget. And so that we can be sure that the money that's going to the emergencies of fighting the war, which is absolutely critical that our soldiers have what they need when they're in the field, is not actually be used for the purposes of replacing core defense opportunities or defense needs and, thus, being a way around Congressional scrutiny of core defense obligations.

There are a lot of weapons systems that are being purchased which have out-year procurement issues. I heard the second ranking member of the Defense Committee say that of the nine major systems, I think he said seven systems were in issue as to how much they were costing and as to whether they would be delivered on time. And if you're going to properly oversee that you want to make sure that those dollars aren't suddenly flowing through the emergency process and, thus, not being subject to review.

So we've got a problem, I think, as a Congress, as to how we deal with the reality of having troops on the ground who have to get support from us, and who no one in this Congress isn't going to support. But, at the same time, have a defense budget and an actual budget process which is fundamentally broken relative to our capacity to oversight these dollars as they are coming up and being requested.

And I don't have the answer, to be very honest with you. But I'm just trying to outline the issue so that people are aware of it. I honestly don't think there are probably five people in this Senate who understand this number here, that what we're dealing with is not a defense number of \$430 billion. It's not a defense number of \$430 billion plus the \$42 billion supplemental that's in it. It's not a defense number of \$430 billion plus the \$42 billion plus the \$8 billion and the \$13 billion. **It is a defense number of around \$553 billion and going up.** And it probably is money we're going to have to spend. In fact I

suspect I'll vote for all of it. But I would like to have some more confidence than I have right now that we haven't set up a two-tract budget process where we focus on one set of numbers and allow one set to pass through here as if they're going through in the night on some shadowy boat.

**[Senator Stevens...]**

**Chairman Gregg:** First of off my admiration for the senator from Alaska is immense and deep for policy and how we should fund the Defense Department. If the senator from Alaska says we need something, I'm going to say we should fund it. I guess my concern is people who like the senator from Alaska who have the expertise around here and who have had it for a long time, people like the senator from Virginia, for example, who chairs the Armed Services Committee and members of that committee are not getting enough of a window of opportunity to be players in how these budgets are being evolved.

We're getting them presented to us and claim that they are an emergency. I think we have to set up some process here which allows you as chairman of the subcommittee that appropriates and which allows Senator Warner of the full Armed Services Committee to intersect this activity a little earlier in the process so you can have your input in it much as you would with the core budget. You spent a lot of time putting together this base budget of \$434 billion. I know you do. This emergency money comes in here with a bang.

Here it is today and you've got to appropriate it tomorrow, the situation from the Administration. Granted there's a war and there's going to be a need for that type of activity but there's also a way to anticipate some fairly significant percentage of that, I would think. I think a little more openness and cooperation from downtown on that might be helpful. I don't have the answer. I'm just raising the red flag of concern. And I would rely greatly on your expertise and on the expertise of others around here who have got the history and the knowledge of Defense Department to figure out how we as a Congress can engage more effectively and not have this second budget moving along which is really sort of shadowy. I thank the Senator.

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