

# CRS Report for Congress

## Defense: FY2008 Authorization and Appropriations

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The annual consideration of appropriations bills (regular, continuing, and supplemental) by Congress is part of a complex set of budget processes that also encompasses the consideration of budget resolutions, revenue and debt-limit legislation, other spending measures, and reconciliation bills. In addition, the operation of programs and the spending of appropriated funds are subject to constraints established in authorizing statutes. Congressional action on the budget for a fiscal year usually begins following the submission of the President's budget at the beginning of each annual session of Congress. Congressional practices governing the consideration of appropriations and other budgetary measures are rooted in the Constitution, the standing rules of the House and Senate, and statutes, such as the Congressional Budget and Impoundment Control Act of 1974.

This report is a guide to one of the regular appropriations bills that Congress considers each year. It is designed to supplement the information provided by the House and Senate Appropriations Subcommittees on Defense. For both defense authorization and appropriations, this report summarizes the status of the bills, their scope, major issues, funding levels, and related congressional activity. This report is updated as events warrant and lists the key CRS staff relevant to the issues covered as well as related CRS products.

**NOTE: A Web version of this document with active links is available to congressional staff at [[http://apps.crs.gov/cli/cli.aspx?PRDS\\_CLI\\_ITEM\\_ID=221&from=3&fromId=73](http://apps.crs.gov/cli/cli.aspx?PRDS_CLI_ITEM_ID=221&from=3&fromId=73)].**

# Defense: FY2008 Authorization and Appropriations

## Summary

The House Armed Services Committee marked up its version of the FY2008 defense authorization bill, H.R. 1585, on Wednesday, May 9. Floor action on the bill is expected the week of May 14. The Senate Armed Services Committee plans to mark up its version of the FY2008 authorization, unnumbered as yet, on May 23. On February 5, 2007, the White House formally released to Congress its FY2008 federal budget request, which included \$647.2 billion in new budget authority for national defense. In addition to \$483.2 billion for the regular operations of the Department of Defense (DOD), the request includes \$141.7 billion for continued military operations, primarily to fund the campaigns in Iraq and Afghanistan, \$17.4 billion for the nuclear weapons and other defense-related programs of the Department of Energy, and \$5.2 billion for defense-related activities of other agencies.

The requested “base” budget for DOD — that is, the request for regular operations excluding the cost of ongoing combat activity — is \$483.2 billion, which is \$46.8 billion higher than the agency’s base budget for FY2007, an increase of 11% in nominal terms and, by DOD’s reckoning, an increase in real purchasing power of 8.0%, taking into account the cost of inflation.

In requesting an additional \$141.7 billion to cover the anticipated cost for all of FY2008 of ongoing operations in Iraq and Afghanistan, the Administration has complied with Congress’ insistence that it be given time to subject that funding to the regular oversight and legislative process. Nevertheless, since the Administration has requested that these funds be designated as “emergency” appropriations, they would be over and above restrictive caps on discretionary spending, even though this FY2008 combat operations funding request (at \$141.7 billion) is 29% as large as the regular FY2008 DOD base request (\$483.2 billion).

The FY2008 base request would continue a permanent increase in active-duty end-strength for the Army and Marine Corps, as many members of Congress have recommended for years, with a goal of adding 92,000 active duty troops to the two services by FY2012, compared with pre-Iraq War levels. The request also incorporates a proposal to increase retiree medical fees and copays, which Congress rejected in its action on the FY2007 defense budget and which the House Armed Services Committee rejected again in drafting H.R. 1585.

The budget request includes few new initiatives regarding major weapons, but the House Armed Services Committee has challenged many administration proposals regarding chronically contentious acquisition issues. For instance, the committee’s bill would add to the request funds to continue production of the C-17 cargo plane and development of a second-engine to compete for installation in the F-35 Joint Strike Fighter, programs the Administration proposed to end in FY2008, as it had done in FY2007, when it was overridden by Congress. In addition, reflecting longstanding congressional concern that the Navy’s budgets have been too small, the House Armed Services Committee added \$2.7 billion to the Administration’s \$13.7 billion shipbuilding request. This report will be updated as events warrant.

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## Contents

Most Recent Developments .....	1
Status of Legislation .....	2
Facts and Figures: Congressional Action on the FY2008 Defense Budget Request .....	3
FY2008 Defense Budget Request and Outyear Plans: Questions of Affordability and Balance .....	8
Potential Issues in FY2008 Global War on Terror Request .....	11
FY2008 GWOT Request: Assumptions Similar to FY2007 .....	12
Broad Definition of Reconstitution or Reset .....	14
Force Protection Funding .....	15
Congressional Action .....	16
Questions Likely About Funding For Joint Improvised Explosive Device Defeat Fund .....	17
Oversight Concerns About Cost to Train and Equip Afghan and Iraqi Security Forces .....	17
Coalition Support and Commanders Emergency Response Program .....	18
Military Construction Overseas and Permanent Basing Concerns .....	18
Congressional Action .....	18
Potential issues in the FY2008 Base Budget Request .....	19
Bill-by-Bill Synopsis of Congressional Action to Date .....	27
Congressional Budget Resolution .....	27
FY2008 Defense Authorization: Highlights of the House	
Armed Services Committee Bill .....	27
Operations in Iraq and Afghanistan .....	27
Other FY2008 Defense Budget Issues .....	28
For Additional Reading .....	34
Overall Defense Budget .....	34
Military Operations: Iraq, Afghanistan, and Elsewhere .....	34
U.S. Military Personnel and Compensation .....	35
Defense Policy Issues .....	35
Defense Program Issues .....	35

## List of Tables

Table 1A. Status of FY2007 Defense Authorization Bill, H.R. 1585 .....	2
Table 1B. Status of FY2007 Defense Appropriations Bill .....	2
Table 2. FY2008 National Defense Budget Request .....	4
Table 3. Congressional Budget Resolution, Recommended National Defense Budget Function (050) Totals .....	5

Table 4. FY2008 National Defense Authorization, House and Senate Action by Title, H.R. 1585 .....	6
Table 5. FY2008 Department of Defense and Military Construction Appropriations, House and Senate Action by Title .....	7
Table 6. DOD's Global War on Terror, FY2006-FY2008 by Function .....	13

# Defense: FY2008 Authorization and Appropriations

## Most Recent Developments

The House Armed Services Committee completed full committee markup of its version of the FY2008 National Defense Authorization bill, H.R. 1585, in a session that began May 9. Floor action is expected in the House the week of May 14. The Senate Armed Services Committee plans to mark up its version of the FY2008 authorization on May 23. House and Senate Appropriations Committee markup of defense and military construction appropriations bills has not been scheduled, although House leaders have said the defense bill will be one of the last appropriations bills to be taken up.

The House committee authorization bill requires the top U.S. military commander in Iraq and the U.S. ambassador to provide a detailed assessment of the situation in Iraq, including evaluations of the progress of the U.S. campaign plan, national reconciliation efforts by the Iraqi government, and the effectiveness of Iraqi security forces. Based on that report, the Secretary of Defense is required to report on plans for U.S. troop levels and missions in the following six months.

Iraq policy may later become a more contentious issue in action on the FY2008 authorization and appropriations bills, however, depending on the outcome of action on FY2007 supplemental appropriations. On May 2, the President vetoed Congress' initial version of an FY2007 supplemental funding bill, H.R. 1591, citing provisions that would set a timetable for withdrawing U.S. troops from Iraq. The House failed to override the veto in a floor vote on May 3. On May 10, the House passed a second version of the supplemental funding bill, which Administration officials said also would be vetoed because of Iraq-related provisions. (for a full discussion, see CRS Report RL33900, *FY2007 Supplemental Appropriations for Defense, Foreign Affairs, and Other Purposes*, by Stephen Daggett et al.)

## Overview of the Administration Request

On February 5, 2007, the White House formally released to Congress its FY2008 federal budget request, which included \$647.2 billion in new budget authority for national defense. In addition to \$483.2 billion for the regular operations of the Department of Defense (DOD), the request includes \$141.7 billion for continued military operations abroad, primarily to fund the campaigns in Iraq and Afghanistan, \$17.4 billion for the nuclear weapons and other defense-related programs of the Department of Energy, and \$5.2 billion for defense-related activities of other agencies. (Note: The total of \$647.2 billion for national defense includes an

adjustment of -\$275 million for OMB scorekeeping. DOD figures for the base budget do not add to the formal request in OMB budget documents).

The requested “base” budget of \$483.2 billion for DOD — excluding the cost of ongoing combat operations — is \$46.8 billion higher than the agency’s base budget for FY2007, an increase of 11% in nominal terms and, by DOD’s reckoning, an increase in real purchasing power of 7.9%, taking into account the cost of inflation.

In requesting an additional \$141.7 billion to cover the anticipated cost for all of FY2008 of ongoing operations in Iraq and Afghanistan, the Administration has complied with Congress' insistence that it be given time to subject that funding to the regular oversight and legislative process. Nevertheless, since the Administration has requested that these funds be designated as "emergency" appropriations, they would be over and above restrictive caps on discretionary spending, even though the FY2008 combat operations funding request of \$141.7 billion is 29% as large as the regular FY2008 DOD request.

## Status of Legislation

Congress has begun action on the annual defense authorization bill soon with the House Armed Services Committee approving its version of the bill (H.R. 1585) in a session that began May 9, with House floor action likely the week of May 13.

**Table 1A. Status of FY2007 Defense Authorization Bill, H.R. 1585**

**Table 1B. Status of FY2007 Defense Appropriations Bill**

## Facts and Figures: Congressional Action on the FY2008 Defense Budget Request

The following tables provide a quick reference to congressional action on defense budget totals. Additional details will be added as congressional action on the FY2008 defense funding bills proceeds.

- **Table 2** shows the Administration's FY2008 national defense budget request by budget subfunction and, for the Department of Defense, by appropriations title. The total for FY2007 shows the amount if Congress approves FY2007 supplemental appropriations of \$93.4 billion as requested. The vetoed conference agreement on H.R. 1591 provided \$7.0 billion more than that.
- **Table 3** shows the recommendations on defense budget authority and outlays in the House and Senate versions of the annual budget resolution, H Con Res 99 and S Con Res 21. These amounts are not binding on the Armed Services or Appropriations committees.
- **Table 4** shows congressional action on the FY2008 defense authorization bill by title. Except for a some mandatory programs, the authorization bill does not provide funds but rather authorizes their appropriation.
- **Table 5** shows congressional action on the FY2008 defense and military construction appropriations bills. The table does not show funding for defense-related activities of agencies other than the Defense Department, except for about \$1.0 billion for the intelligence community. In particular, it does not include the \$17.4 billion requested for defense-related nuclear energy programs (nuclear weapons and warship propulsion) of the Energy Department.

**Table 2. FY2008 National Defense Budget Request**  
(billions of dollars)

	FY2007 Enacted	FY2007 Supp Request	FY2007 Total with Supp	FY2008 Request
<b>Department of Defense</b>				
<b>Base Budget</b>				
Military Personnel	111.1	—	111.1	118.9
Operation and Maintenance	127.7	—	127.7	143.5
Procurement	81.1	—	81.1	100.2
Research, Development, Test, & Evaluation	75.7	—	75.7	75.1
Military Construction	8.8	—	8.8	18.2
Family Housing	4.0	—	4.0	2.9
Revolving & Management Funds	2.4	—	2.4	2.5
Other Defense Programs*	23.7	—	23.7	23.3
Offsetting Receipts/Interfund Transactions	-1.8	—	-1.8	-1.4
General Provisions/Allowances	3.6	—	3.6	-0.3
<b>Subtotal — DOD Base Budget</b>	<b>436.4</b>	—	<b>436.4</b>	<b>483.2</b>
<b>War-Related Funding</b>				
Military Personnel	5.4	12.1	17.5	17.1
Operation and Maintenance	39.1	37.5	76.6	73.1
Procurement	19.8	25.3	45.2	36.0
Research, Development, Test, & Evaluation	0.4	1.4	1.9	2.9
Military Construction	—	1.9	1.9	0.9
Family Housing	—	—	—	0.0
Revolving & Management Funds	—	1.3	1.3	1.7
Other Defense Programs*	0.1	1.3	1.4	1.3
Intelligence Community Management	0.0	0.1	0.1	—
Iraqi Freedom Fund	0.1	0.2	0.3	0.1
Afghanistan Security Forces Fund	1.5	5.9	7.4	2.7
Iraq Security Forces Fund	1.7	3.8	5.5	2.0
Joint IED Defeat Fund*	1.9	2.4	4.4	4.0
<b>Subtotal — DOD War-Related</b>	<b>70.0</b>	<b>93.4</b>	<b>163.4</b>	<b>141.7</b>
OMB vs DOD Scorekeeping Adjustment	—	—	—	-0.3
<b>Total DOD (Base and War-Related)</b>	<b>506.4</b>	<b>93.4</b>	<b>599.8</b>	<b>624.6</b>
<b>Department of Energy Defense Related</b>				
Department of Energy	15.8	—	15.8	15.9
Formerly utilized sites remedial action	0.1	—	0.1	0.1
Defense nuclear facilities safety board	0.0	—	0.0	0.0
Energy employees occupational illness comp.	1.1	—	1.1	1.4
<b>Other Defense Related</b>	<b>5.2</b>	—	<b>5.2</b>	<b>5.2</b>
FBI Counter-Intelligence	2.5	—	2.5	2.5
Intelligence Community Management	0.9	—	0.9	1.0
Homeland Security	1.5	—	1.5	1.4
Other	0.3	—	0.3	0.3
<b>Total National Defense</b>	<b>528.6</b>	<b>93.4</b>	<b>622.0</b>	<b>647.2</b>

**Sources:** FY2007 enacted calculated by CRS based on congressional conference reports and Department of Defense data; FY2007 supplemental from Department of Defense; FY2008 request from Department of Defense and Office of Management and Budget. DOD Base and War-Related Total and National Defense Total reflect OMB figures that differ slightly from DOD estimates.

**Table 3. Congressional Budget Resolution, Recommended National Defense Budget Function (050) Totals**  
(billions of dollars)

	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
<b>Administration Projection</b>						
Budget Authority	622.4	647.2	584.7	545.0	551.5	560.7
Outlays	571.9	606.5	601.8	565.3	556.4	549.5
<b>House-Passed (H.Con.Res. 99)</b>						
<b>National Defense Base Budget (Function 050)</b>						
Budget Authority	525.8	507.0	534.7	545.2	550.9	559.8
Outlays	534.3	514.4	524.4	536.4	547.6	548.2
<b>Allowance for Overseas Operations and Related Activities (Function 970)</b>						
Budget Authority	124.3	145.2	50.0	—	—	—
Outlays	31.5	114.9	109.4	42.3	13.6	4.5
<b>Senate-Passed (S.Con.Res. 21)</b>						
Budget Authority	619.4	648.8	584.8	545.3	551.1	559.9
Outlays	560.5	617.8	627.0	572.9	558.4	551.8

**Sources:** CRS from H.Con.Res. 99; S.Con.Res. 21; Office of Management and Budget.

**Table 4. FY2008 National Defense Authorization,  
House and Senate Action by Title, H.R. 1585**  
(budget authority in millions of dollars)

	Request	House	Senate	Conference
<b>Base Budget</b>				
Military Personnel	118,920.4	—	—	—
Operation and Maintenance	165,343.7	—	—	—
Procurement	101,678.7	—	—	—
Research, Development, Test, & Evaluation	75,117.2	—	—	—
Military Construction	18,232.7	—	—	—
Family Housing	2,932.5	—	—	—
Revolving & Management Funds	2,453.8	—	—	—
Offsetting Receipts/Interfund Transactions	-1,430.6	—	—	—
<b>Subtotal — Base Budget</b>	<b>483,248.4</b>	—	—	—
<b>War-Related Funding</b>				
Military Personnel	17,070.3	—	—	—
Operation and Maintenance	73,099.1	—	—	—
Procurement	35,956.6	—	—	—
Research, Development, Test, & Evaluation	2,857.4	—	—	—
Military Construction	907.9	—	—	—
Family Housing	11.8	—	—	—
Revolving & Management Funds	1,681.4	—	—	—
Defense Health Program	1,022.8	—	—	—
Drug Interdiction	257.6	—	—	—
Intelligence Community Management	—	—	—	—
Iraqi Freedom Fund	107.5	—	—	—
Afghanistan Security Forces Fund	2,700.0	—	—	—
Iraq Security Forces Fund	2,000.0	—	—	—
Joint IED Defeat Fund	4,000.0	—	—	—
Adjustment	-7.4	—	—	—
<b>Subtotal — War-Related</b>	<b>141,664.9</b>	—	—	—
<b>Total Base and War-Related</b>	<b>624,949.3</b>	—	—	—

**Sources:** Base budget from Department of Defense, *National Defense Budget Estimates, Fiscal Year 2008*, March 2007, Table 3-1; war-related funding from Department of Defense, *FY2008 Global War on Terror Request: Exhibits for FY2008*, February 2007, adjusted by CRS because subtotals in the exhibits do not add to the requested total.

**Table 5. FY2008 Department of Defense and Military Construction Appropriations, House and Senate Action by Title**  
 (budget authority in millions of dollars)

	Request	House	Senate	Conference
<b>Base Budget</b>				
Military Personnel	118,920.4	—	—	—
Operation and Maintenance	164,686.0	—	—	—
Procurement	101,678.7	—	—	—
Research, Development, Test, & Evaluation	75,117.2	—	—	—
Military Construction	18,232.7	—	—	—
Family Housing	2,932.5	—	—	—
Revolving & Management Funds	2,453.8	—	—	—
<b>Subtotal — Base Budget</b>	<b>484,021.3</b>	—	—	—
<b>War-Related Funding</b>				
Military Personnel	17,070.3	—	—	—
Operation and Maintenance	73,099.1	—	—	—
Procurement	35,956.6	—	—	—
Research, Development, Test, & Evaluation	2,857.4	—	—	—
Military Construction	907.9	—	—	—
Family Housing	11.8	—	—	—
Revolving & Management Funds	1,681.4	—	—	—
Defense Health Program	1,022.8	—	—	—
Drug Interdiction	257.6	—	—	—
Intelligence Community Management	—	—	—	—
Iraqi Freedom Fund	107.5	—	—	—
Afghanistan Security Forces Fund	2,700.0	—	—	—
Iraq Security Forces Fund	2,000.0	—	—	—
Joint IED Defeat Fund	4,000.0	—	—	—
Adjustment	-7.4	—	—	—
<b>Subtotal — War-Related</b>	<b>141,664.9</b>	—	—	—
<b>Total Base and War-Related</b>	<b>625,686.2</b>	—	—	—

**Sources:** Base budget from Department of Defense, *National Defense Budget Estimates, Fiscal Year 2008*, March 2007, Table 3-1; war-related funding from Department of Defense, *FY2008 Global War on Terror Request: Exhibits for FY2008*, February 2007, adjusted by CRS because subtotals in the exhibits do not add to the requested total.

## FY2008 Defense Budget Request and Outyear Plans: Questions of Affordability and Balance

Several aspects of the Department's FY2008 budget request and its projected budgets through FY2013 raise questions about the affordability of DOD's plan as a whole and about the balance of spending among major elements of the defense budget.

*(1) DOD's funding plan for FY2008-13, excluding the cost of military operations in Iraq and Afghanistan, projects that the department's base budget will increase in real purchasing power, after adjusting for inflation, by 8.0% between FY2007 and FY2008 and by another 3.5% in FY2009 before declining slightly over each of the following four years. But the tightening fiscal squeeze on the federal government may put strong downward pressure on the defense budget; and the unbudgeted funds needed for ongoing military operations abroad may compound the problem.* The Office of Management and Budget (OMB), the Congressional Budget Office (CBO) and the Government Accountability Office (GAO) agree that the current mix of federal programs is fiscally unsustainable for the long term.<sup>1</sup> The nation's aging population combined with rising health costs are driving an increase in spending for federal entitlement programs which, in turn, will fuel rising deficits compounded by a steadily increasing interest on the national debt. The upshot is that, if total federal outlays continue to account for about 20% of the GDP and federal revenues remain at about their current level, total federal spending on discretionary programs, in terms of real purchasing power, would have to be sharply reduced to meet the goal of a balanced federal budget by 2012 and then to cover the rising costs of Medicare, Medicaid and Social Security resulting partly from the retirement of baby boomers.

To protect DOD from this fiscal vise, some have recommended that the defense budget (excluding the cost of ongoing operations in Iraq and Afghanistan) be sustained at 4% of GDP — a share of the national wealth that DOD last claimed in FY1994.<sup>2</sup> But that proposal would have to overcome the thus far intractable political challenges of increasing federal revenues, reducing discretionary non-defense spending, and/or restraining the growth of entitlement costs.

*(2) Although the Administration has submitted a budget proposal to cover the cost of ongoing operations in Iraq and Afghanistan in FY2008 that is separate from its "base" budget request for the year, it may be difficult, as a practical matter, for Congress to subject the request for cost-of-war appropriations to the same oversight it applies to regular, annual defense spending requests.* If the congressional defense

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<sup>1</sup> See CRS Report RL33915, *The Budget for Fiscal Year 2008*, by Philip D. Winters. See also OMB, *Budget of the United States Government for Fiscal Year 2008*, February 2007, pp. 16-21; CBO, *The Budget and Economic Outlook: Fiscal Years 2008-2017*, January 2007, pp. 10-11; GAO, *The Nation's Long-Term Fiscal Outlook: January 2007 Update*, GAO-07-510R.

<sup>2</sup> Baker Spring, "Defense FY2008 Budget Analysis: Four Percent for Freedom," The Heritage Foundation, *Backgrounder* no. 2012, March 5, 2007.

committees mark up the FY2008 defense funding bills on their usual schedules, as the House and Senate Armed Services committees are doing with respect to the annual defense authorization bill, they will have had to review in less than four months both the President's \$482 billion request for the base DOD budget and the additional \$142 billion requested for operations in Iraq and Afghanistan. The burden may be compounded by the fact that the congressional defense committees may not have time-tested analytical tools with which to scrutinize the request for ongoing combat operations, as they do for reviewing the base budget. Moreover, for most of that four month period, members of Congress, and the defense funding committees in particular, have been deeply preoccupied with debate over the Administration's FY2007 Emergency Supplemental Appropriations Bill (H.R. 1591) to pay for combat operations in Iraq and Afghanistan, legislation that has become the vehicle for congressional efforts to reduce the involvement of U.S. troops in Iraq.

In addition, since DOD does not include the forecast cost of ongoing operations in its projections of defense budget requests in future years, except for a \$50 billion placeholder for FY2009 included in the FY2008 request, Congress has not been given a clear sense of how severely the federal government's overall fiscal squeeze may constrain future defense budgets.

*(3) DOD projects that its total budget will remain approximately constant, in real terms, from FY2009 through FY2013. But for years, most of the major components of the defense budget have shown a steady cost growth, in excess of the cost of inflation.* Thus, the relatively flat defense budgets planned would have to accommodate other types of costs that also seem to be escalating almost uncontrollably, notably including (1) the rising cost of health care for personnel still on active service, retirees and their dependents, (2) operations and maintenance costs that have been increasing since the Korean War at an average of 2.5% per year above the cost of inflation, and (3) new weapons that are expected to dramatically enhance the effectiveness of U.S. forces, but which carry high price tags to begin with and then, all too often, substantially overrun their initial cost-estimates.<sup>3</sup>

*(4) One of the most powerful drivers of DOD's internal cost squeeze, the steady increase in the cost of military personnel, would be compounded by the President's recommendation — in line with congressional proposals — to increase active-duty Army and Marine Corps end-strength.* Between FY1999 and FY2005, the cost of active-duty military personnel, measured per-service-member, grew by 33% above inflation, largely because of congressional initiatives to increase pay and benefits. A large fraction of the increased cost is due to increases in retired pay and greatly expanded medical benefits for military retirees.

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<sup>3</sup> In a review of 64 major weapons programs, the GAO found that their total cost had grown by more than 4.9% annually, in real terms. The total estimated cost of the 64 programs in FY2007 was \$165 billion more (in FY2007 dollars) than had been projected in FY2004. See GAO-07-406SP, *Defense Acquisitions: Assessments of Selected Weapons Programs*, March 2007, p. 8. According to the GAO analysis, a major reason for that unbudgeted cost increase was that many programs depend on technologies that promise transformative combat effectiveness, but which have not been adequately developed before they are incorporated into the design of a new weapon. *Ibid.*, p. 9.

This year, the Administration has proposed (and the congressional defense committees have urged for years) an increase in active-duty end-strength that would add 92,000 soldiers and Marines to the rolls, thus increasing the services' fixed costs by at least \$12 billion annually (once the start-up costs of the policy have been absorbed). At the same time, the Navy and Air Force are cutting personnel levels to safeguard funds for weapons programs. The Air Force is cutting about 40,000 full-time equivalent positions and the Navy about 30,000. One issue is whether these cuts will be used, directly or indirectly, not to pay for Air Force and Navy weapons programs, but for Army and Marine Corps end-strength increases.

(5) The Navy's ability to sustain a fleet of the current size within realistically foreseeable budgets may especially problematic. After years of criticism from members of Congress who contended that the Navy was buying too few ships to replace vessels being retired, the service released in February a long-range shipbuilding plan that would fall just short of the Navy's current goal of maintaining a fleet of 313 ships. But the plan assumes that the Defense Department, which bought seven ships in FY2007 and is requesting the same number in FY2008, would buy between 11 and 13 ships in each of the following five years. The plan assumes that amount appropriated for new ship construction would rise from a requested \$12.5 billion in FY2008 to \$17.5 billion in FY2013 (in current-year dollars).<sup>4</sup>

Considering the fiscal demands likely to put downward pressure on future defense budgets, funding the Navy's plan may be challenging. But even if the Navy got the annual shipbuilding budgets it plans to request, it might not be able to buy all the ships it plans as quickly as it plans to do so, because of escalating costs and delays in some of the new types of ships slated to comprise the future fleet. In the past, Navy cost and schedule forecasts later proven to be overly optimistic have led to long-range shipbuilding plans that promised increases in shipbuilding budgets in the "out-years" that have not been realized. Unachievable shipbuilding plans may discourage the Navy and Congress from weighing potential tradeoffs between, on the one hand, construction of promising new designs and, on the other hand, building additional ships of types already in service and upgrading existing vessels.

(6) *The services' plans to modernize their tactical air forces suffer from the type of excessive budgetary and technological optimism that also afflicts the shipbuilding plan.* Roughly midway through a 40-year, \$400 million effort to replace the post-Vietnam generation of Air Force, Navy and Marine Corps fighter planes with versions of the Air Force's F-22A, the Navy's F/A-18E/F, and the tri-service F-35 (or Joint Strike Fighter), the services' plans have been buffeted by escalating costs, slipping schedules and external budget pressures. In the case of the F-22A, this produced a current budget plan that will buy only 183 planes rather than the 381 the Air Force says it needs. Similarly, the Navy and Marine Corps have reduced the total number of F-35s they plan to buy from 1,089 to 680.

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<sup>4</sup> Although most Defense Department shipbuilding is funded in the "Shipbuilding and Conversion, Navy" (SCN) appropriation, certain types of non-combatant vessels are funded in other appropriation accounts, particularly the National Defense Sealift Fund, which is under Revolving and Management Funds.

Adjustments like this are easier to make with aircraft budgets that fund dozens of units annually costing tens of millions of dollars apiece than it is with shipbuilding budgets that fund a handful of units each year, many of which cost upwards of a billion dollars apiece. But while it may be easier for the services to deal with the consequences of optimistic tactical aircraft recapitalization plans than it is for the Navy to manage the shipbuilding program, there is a similar underlying problem. If the services' long-range plans assume budgets, costs, technical breakthroughs and production schedules that will not be realized, a service may delay and, ultimately, increase the cost of upgrades to planes already in service that will have to be kept combat-ready until the new craft are fielded:

The military services accord new systems higher funding priority, and the legacy systems tend to get whatever funding is remaining after the new systems' budget needs are met. If new aircraft consume more of the investment dollars than planned, the buying power and budgets for legacy systems are further reduced to remain within DOD budget limits. However, as quantities of new systems have been cut and deliveries to the warfighter delayed, more legacy aircraft are required to stay in the inventory and for longer periods of time than planned, requiring more dollars to modernize and maintain aging aircraft.<sup>5</sup>

## Potential Issues in FY2008 Global War on Terror Request<sup>6</sup>

In the seventh year of war operations since the 9/11 attacks, DOD is requesting \$141.7 billion, 29% of the amount it is requesting for all routine DOD activity in FY2008. For the first time since the 9/11 attacks, the Administration has submitted a request for war funding for the full year to meet a new requirement levied in the FY2007 National Defense Authorization Act (P.L. 109-702).<sup>7</sup> Since FY2003, Congress has funded war costs in two bills, typically a bridge fund included in the regular DOD Appropriations Act to cover the first part of the fiscal year and a supplemental enacted after the fiscal year has begun.<sup>8</sup>

The Administration's FY2008 Global War on Terror (GWOT) request of \$141.7 billion is similar to its FY2007 funding request for FY2007 war costs with certain exceptions: funds are not included to support the higher troop levels announced by the president in January 2007, lesser amounts are requested to train Afghan and Iraqi

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<sup>5</sup> Government Accountability Office, *Tactical Aircraft: DOD Needs a Joint and Integrated Investment Strategy*, GAO-07-415, April 2007, p. 13.

<sup>6</sup> Prepared by Amy Belasco, Specialist in the U.S. Defense Budget.

<sup>7</sup> Section 1008, P.L. 109-364.

<sup>8</sup> See Table A1 in CRS Report RL33110, *The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11*, by Amy Belasco; in FY2003, war funds were provided in the FY2003 Consolidated Appropriations (P.L. 108-7) as well as the FY2003 Supplemental; see also CRS Report RS22455, *Military Operations: Precedents for Funding Contingency Operations in Regular or in Supplemental Appropriations Bills*, by Stephen Daggett.

security forces and no funds are requested to increase the size of the Army and Navy (see Table 6, below). In testimony, Secretary of Defense Gates characterized the FY2008 GWOT request as “a straightline projection for forces of 140,000 in Iraq” because funding for the surge is only included through September 30, 2007, the end of FY2007.<sup>9</sup> This could prove to be an issue if the Administration decides to extend the current troop increase of about 36,000 past this fall.

According to DOD, the FY2008 war request includes \$109.7 billion for Iraq and \$26.0 billion for Afghanistan and other counter-terror operations.<sup>10</sup> If Congress approves both the FY2007 and the FY2008 Supplemental requests, funding would reach \$564 billion for Iraq and \$155 billion for Afghanistan. The conference version of the FY2007 Supplemental recently vetoed by the president would provide amounts similar to the request.<sup>11</sup> According to DOD, the request supports a total of 320,000 deployed personnel including 140,000 in Iraq and 20,000 in Afghanistan. DOD does not explain the difference between the 160,000 military personnel deployed in Iraq and in Afghanistan and the additional 160,000 deployed elsewhere supporting those missions.<sup>12</sup>

## FY2008 GWOT Request: Assumptions Similar to FY2007

DOD’s justification language and funding levels for the FY2008 GWOT request are almost identical to those included in its FY2007 Supplemental request in several categories such as military operations and reconstitution of war-worn equipment, citing the same force levels and the same examples. DOD’s request for \$70.6 billion in FY2008 funds special pays, benefits, subsistence, the cost of activating reservists, and the cost of conducting operations and providing support for about 320,000 deployed military personnel serving in and around Iraq and Afghanistan assuming the same operating tempo as in FY2007.<sup>13</sup> In addition, the FY2008 GWOT request does not include the \$5.6 billion additional cost for the 36,000 increase in force levels or “surge” announced by the president on January 10, 2007 that is currently underway.

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<sup>9</sup> Senate Appropriations Committee, *Hearing on Supplemental War Funding*, February 27, 2007, transcript, p. 11.

<sup>10</sup> DOD, *FY2008 Global War on Terror Request*, February 2007, p. 74. [[http://www.dod.mil/comptroller/defbudget/fy2008/fy2007\\_supplemental/FY2008\\_Global\\_War\\_On\\_Terror\\_Request.pdf](http://www.dod.mil/comptroller/defbudget/fy2008/fy2007_supplemental/FY2008_Global_War_On_Terror_Request.pdf)].

<sup>11</sup> CRS Report RL33110, *The Cost of Iraq, Afghanistan, and other Global War on Terror Operations Since 9/11*, by Amy Belasco.

<sup>12</sup> DOD, *FY2007 Emergency Supplemental Request for the Global war on Terror*, February 2007, pp. 15-16, pp. 76-80; [[http://www.dod.mil/comptroller/defbudget/fy2008/fy2007\\_supplemental/FY2007\\_Emergency\\_Supplemental\\_Request\\_for\\_the\\_GWOT.pdf](http://www.dod.mil/comptroller/defbudget/fy2008/fy2007_supplemental/FY2007_Emergency_Supplemental_Request_for_the_GWOT.pdf)]; DOD, *FY2008 Global War on Terror Request*, February 2007, pp. 15-16, and pp. 63-67; [[http://www.dod.mil/comptroller/defbudget/fy2008/fy2007\\_supplemental/FY2008\\_Global\\_War\\_On\\_Terror\\_Request.pdf](http://www.dod.mil/comptroller/defbudget/fy2008/fy2007_supplemental/FY2008_Global_War_On_Terror_Request.pdf)]

<sup>13</sup> DOD, *FY2008 Global War on Terror Request*, February 2007, pp. 15 and 17; online at [[http://www.dod.mil/comptroller/defbudget/fy2008/fy2007\\_supplemental/FY2008\\_Global\\_War\\_On\\_Terror\\_Request.pdf](http://www.dod.mil/comptroller/defbudget/fy2008/fy2007_supplemental/FY2008_Global_War_On_Terror_Request.pdf)].

**Table 6. DOD's Global War on Terror,  
FY2006-FY2008 by Function**  
( billions of dollars)

Type of Expense	FY2006 Enacted	FY2007 Bridge Enacted	FY2007 Supp. Req.	FY2007 Total with Req.	FY2007 Total Req. vs FY06	FY2008 Req.	FY2008 Req. vs. FY2007 Total w/ Req.
Incremental Pay and Benefits and operating and support Costs	67.2	30.5	39.2	69.8	2.6	70.6	0.8
Temporary Troop Plus-up and Increased Naval Presence	0.0	0.0	5.6	5.6	5.6	0.0	-5.6
Reconstitution or Reset	19.2	23.6	13.9	37.5	18.4	37.6	0.0
Force Protection	5.4	3.4	8.0	11.3	6.0	11.2	-0.1
Joint Improvised Explosive Device Defeat Fund	3.3	1.9	2.4	4.4	1.0	4.0	-0.4
Accelerating Modularity	5.0	0.0	3.6	3.6	-1.4	1.6	-2.1
Infrastructure & equipment for Perm. Inc. in Size of Army and MC	0.0	0.0	1.7	1.7	1.7	0.0	-1.7
Equip and Train Afghan and Iraq Security Forces	4.9	3.2	9.7	12.9	8.0	4.7	-8.2
Coalition Support	1.2	0.9	1.0	1.9	0.7	1.7	-0.2
Commanders Emergency Response Fd	0.9	0.5	0.5	1.0	0.1	1.0	0.0
Military Construction Overseas in Iraq and Afghanistan	0.2	0.0	1.1	1.1	0.9	0.7	-0.4
Military Intelligence	1.5	0.8	2.7	3.5	2.0	2.7	-0.8
Non-DOD Classified and Non-GWOT	5.6	5.1	3.6	8.8	3.2	5.9	-2.8
Regional War on Terror	0.0	0.0	0.3	0.3	0.3	0.0	-0.3
<b>GRAND TOTAL</b>	<b>114.4</b>	<b>70.0</b>	<b>93.4</b>	<b>163.4</b>	<b>49.0</b>	<b>141.7</b>	<b>-21.7</b>

**Sources:** DOD, *FY2008 Global War on Terror Request*, February 2007, Table 2, p. 75, online at [[http://www.dod.mil/comproller/defbudget/fy2008/fy2007\\_supplemental/FY2008\\_Global\\_War\\_on\\_Terror\\_Request.pdf](http://www.dod.mil/comproller/defbudget/fy2008/fy2007_supplemental/FY2008_Global_War_on_Terror_Request.pdf)]. Table 2 does not reflect FY2007 Supplemental amended Administration's request submitted on March 9, 2007.

Assuming no plus-up cost in FY2008 could become an issue should it become clear that the higher force levels will persist into the Fall and the new fiscal year as appears to be expected by commanders in the field according to recent press reports.<sup>14</sup> An estimate by the Congressional Budget Office projected that the President's surge proposal could cost between \$11 billion and \$15 billion in FY2008 if the higher troop levels were sustained for 12 months — about half way through FY2008 — and

<sup>14</sup> "Commanders In Iraq See 'Surge' into 08," *Washington Post*, May 9, 2007.

if more support troops were required than the several thousand that DOD is anticipating.<sup>15</sup> On the other hand, should force levels begin to decline, additional funds would not be necessary.

## Broad Definition of Reconstitution or Reset

As in FY2007, DOD is requesting \$37.6 billion for reconstitution which appears to encompass a broader set of requirements than the standard definition of reset — the repair and replacement of war-worn equipment when troops and equipment are re-deployed or rotated.<sup>16</sup> Within reconstitution, DOD includes not only equipment repair and replacement of battle losses and munitions, but also replacement of “stressed” equipment, upgrading of equipment with new models, additional modifications, and new or upgraded equipment as well an expansion of the supply inventory (\$900 million) that assumes that currently high stock levels will need to be continued.

Of the \$37.6 billion reconstitution request, \$8.9 billion is for equipment repair including \$7.8 billion for the Army \$1.3 billion for the Marine Corps, amounts similar to DOD’s request in FY2007 and fairly similar to earlier DOD projections.<sup>17</sup> The remaining \$28.7 billion is for procurement. In a report to Congress in September 2006, DOD estimated that equipment replacement in FY2008 would be about \$5.0 billion for the Army and about \$500 million for the Marine Corps, levels substantially below the \$28.7 billion requested for FY2008.

This three-fold increase in the Army’s reconstitution requirement in FY2008 may reflect both an expanded definition of what constitutes war-related equipment replacement and a DOD decision to request more than one year’s requirement in FY2008 as in the FY2007 Supplemental where requirements were front loaded

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<sup>15</sup> CBO, *Cost Estimate for Troop Increase Proposed by the president*, 2-1-07, p. 4; online at [<http://www.cbo.gov/ftpdocs/77xx/doc7778/TroopIncrease.pdf>].

<sup>16</sup> For DOD definition, see DOD, *Financial Management Regulation*, Volume 12, Chapter 23, pp. 23-21; [[http://www.defenselink.mil/comptroller/fmr/12/12\\_23.pdf](http://www.defenselink.mil/comptroller/fmr/12/12_23.pdf)]; CBO defines reset as the repair or replacement of war-worn equipment; see CBO, Letter to Rep. Skelton, “The Potential Costs Resulting from Increased Usage of Military Equipment from Ongoing Operations,” March 18, 2005; available online at [<http://www.cbo.gov/ftpdocs/61xx/doc6160/03-18-WornEquip.pdf>].

<sup>17</sup> In a September 2006 report to Congress, DOD estimated repair requirements at \$8.0 billion for the Army and \$830 million for the Marine Corps in FY2008, see Office of the Secretary of Defense, *Long-Term Equipment Repair Costs: Report to the Congress*, September 2006, pp. 24-25; DOD, *Fiscal Year (FY) 2008, Global War on Terror Request, Exhibits for FY2008, all appropriations, Military Personnel, Operation and Maintenance, Construction, Revolving and Management Funds, Procurement, Research, Development, Test & Evaluation*, February 2007; [[http://www.defenselink.mil/comptroller/defbudget/fy2008/fy2007\\_supplemental/FY2008\\_Global\\_War\\_On\\_Terror\\_Request/FY\\_2008\\_GWOT\\_Request\\_-\\_Funding\\_Summary\\_\(All\\_Appropriations\).pdf](http://www.defenselink.mil/comptroller/defbudget/fy2008/fy2007_supplemental/FY2008_Global_War_On_Terror_Request/FY_2008_GWOT_Request_-_Funding_Summary_(All_Appropriations).pdf)] Department of the Army, *Fiscal Year (FY) 2008 Emergency Supplemental, Global War on Terrorism (GWOT)/Regional War on Terrorism (RWOT), Exhibit O-1*, pp. 2 and 7.

according to OMB Director, Ron Portman.<sup>18</sup> With the exception of force protection equipment, DOD appears to characterize all of its procurement request as reconstitution.

With over \$8 billion in war-related procurement funds from previous years still to be put on contract, Congress could choose to delay some of the items requested by DOD, as was the case in Congressional action on the FY2007 where some requests were deemed “premature” or not emergencies.<sup>19</sup> The FY2008 war request may also reflect concerns raised by Service witnesses in testimony over the last year or two that Congress would need to appropriate funds for equipment replacement for two years after forces are withdrawn.

In both FY2007 and FY2008, the services request includes replacement for various aircraft and helicopters — both battle losses and anticipated replacements for “stressed” aircraft. Under DOD’s standard budget guidance, the services are only to request new major weapon systems for combat losses that have already been experienced unless they get specific approval for an exception, which appears to be the case for both the FY2007 and the FY2008 requests where the services have requested replacements for “stressed” aircraft rather than combat losses. In the case of the FY2008 request, particularly, DOD would not have information about combat losses. In action on the FY2007 Supplemental (H.R. 1591), Congress showed some scepticism about providing funds to replace anticipated losses rejecting requests for six new EA-18 electronic warfare aircraft and two JSF aircraft.

Another issue is whether replacing older aircraft no longer in production with new aircraft just entering or scheduled to enter production is a legitimate emergency requirement since systems would not be available for several years. Under their expanded definition, DOD’s request includes replacement of MH-53 and H-46 helicopters with the new V-22 tilt rotor aircraft, replacement of an F-16 with the new F-35 JSF, and replacement of older helicopters with the Armed Reconnaissance Helicopter, a troubled program not yet in production which the Army is considering terminating.<sup>20</sup> In addition, the FY2008 request includes replacement of stressed aircraft with 17 new C-130Js, modification upgrades to C-130 aircraft, F-18 aircraft, AH-1W and CH-46 helicopters.

## Force Protection Funding

DOD’s FY2008 request includes about \$11 billion in funding for force protection in both FY2007 and FY2008 primarily for body armor, armored vehicles,

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<sup>18</sup> Testimony of OMB Director Ronald Portman before the House Budget Committee, *Hearing on the FY2008 DOD Budget*, February 6, 2007, p. 41 of transcript.

<sup>19</sup> CRS calculation based on BA appropriated and Defense Finance Accounting Service, *Supplemental & Cost of War Execution* reports as of February 28, 2007; see CRS Report RL33900, *FY2007 Supplemental Appropriations for Defense, Foreign Affairs, and Other Purposes*, by Stephen Daggett et al.

<sup>20</sup> House Armed Services Committee, Air Land Subcommittee, “Opening Statement at Markup by Chair Neil Abercrombie, May 2, 2007.

protecting operating bases and surveillance operations. The FY2008 request is almost identical to FY2007 and includes:

- \$3.5 billion to purchase an additional 320,000 body armor sets reaching a cumulative total of 1.7 million original and upgraded sets meeting 100% of total requirements as well as the new Advanced Combat helmet, earplugs, gloves and other protective gear;
- \$7.0 billion for protection equipment and activities including munitions clearance, fire-retardant NOMEX uniforms, unmanned aerial vehicles, aircraft survivability modifications, route clearance vehicles; and
- funding for more uparmored HMMWVs (\$1.3 billion), armored security (\$301 million) and mine protection vehicles (\$174 million).<sup>21</sup>

There has been considerable controversy in Congress about whether DOD has provided adequate force protection in a timely fashion with Congress typically adding funds for more body armor, more uparmored HMMWVs, and other force protection gear. In the FY2007 Supplemental, Congress added \$874 million in funding for the Mine Resistant Ambush Vehicle (MRAP), an armored truck with a V-shaped hull that has proven effective in withstanding Improvised Explosive Devices (IEDs).<sup>22</sup> That controversy may re-surface in consideration of the FY2008 Supplemental request where only the Army requested \$174 million, well below the FY2007 level judged to match production capacity.<sup>23</sup>

**Congressional Action.** At the Air Land subcommittee markup of the House Armed Services Committee, \$2 billion in additional funds was proposed for Mine Resistant Ambush Vehicles (MRAPs) in FY2008 war funding.

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<sup>21</sup> DOD, *FY2008 Global War on Terror Request*, February 2007, pp. 21-24; available at [[http://www.dod.mil/comptroller/defbudget/fy2008/fy2007\\_supplemental/FY2008\\_Global\\_War\\_On\\_Terror\\_Request.pdf](http://www.dod.mil/comptroller/defbudget/fy2008/fy2007_supplemental/FY2008_Global_War_On_Terror_Request.pdf)]; see also FY2008, *Exhibit P-1* for listing of individual items; DOD, *Fiscal Year (FY) 2008, Global War on Terror Request, Exhibits for FY2008, all appropriations, Military Personnel, Operation and Maintenance, Construction, Revolving and Management Funds, Procurement, Research, Development, Test & Evaluation*, February 2007; [[http://www.defenselink.mil/comptroller/defbudget/fy2008/fy2007\\_supplemental/FY2008\\_Global\\_War\\_On\\_Terror\\_Request/FY\\_2008\\_GWOT\\_Request\\_-\\_Funding\\_Summary\\_\(All\\_Appropriations\).pdf](http://www.defenselink.mil/comptroller/defbudget/fy2008/fy2007_supplemental/FY2008_Global_War_On_Terror_Request/FY_2008_GWOT_Request_-_Funding_Summary_(All_Appropriations).pdf)].

<sup>22</sup> CRS calculation based on H.Rept. 110-107, conference report on H.R. 1591, April 24, 2007; see *Congressional Record*, April 24, 2007.

<sup>23</sup> See Other Procurement accounts of each service and Defensewide and Procurement, Marine Corps in Office of the Secretary of Defense, *Fiscal Year (FY) 2008 Global War on Terror Request, Exhibits for FY2008*, Exhibit P-1, Procurement, February 2007; [[http://www.defenselink.mil/comptroller/defbudget/fy2008/fy2007\\_supplemental/FY2008\\_Global\\_War\\_On\\_Terror\\_Request/FY\\_2008\\_GWOT\\_Request\\_-\\_Funding\\_Summary\\_\(All\\_Appropriations\).pdf](http://www.defenselink.mil/comptroller/defbudget/fy2008/fy2007_supplemental/FY2008_Global_War_On_Terror_Request/FY_2008_GWOT_Request_-_Funding_Summary_(All_Appropriations).pdf)].

## Questions Likely About Funding For Joint Improvised Explosive Device Defeat Fund

In FY2008, DOD is requesting an additional \$4.0 billion for the Joint Improvised Explosive Device Defeat Fund, similar to the FY2007 level, for a special new transfer account set up in recent years to coordinate research, production and training of ways to combat Improvised Explosive Devices (IEDs), the chief threat to U.S. forces. With the funding approved in the conference report on the H.R. 1591, FY2007 Supplemental (H.Rept. 110-107) recently vetoed by the president, Joint IED Defeat Fund would receive a total of \$9.1 billion.<sup>24</sup> If the FY2008 request is approved, the total would reach \$13.1 billion.

Although Congress has been supportive of this area and endorsed DOD's request in the FY2007 Supplemental, both houses have raised concerns about the management practices of the Joint Improvised Explosive Device Defeat Organization (JIEDDO) including its financial practices, its lack of a spending plan, service requests that duplicate JIEDDO work, and its inability to provide specific information to Congress. The FY2007 Supplemental conference report notes that the "conferees will be hard-pressed to fully fund future budget requests unless the JIEDDO improves its financial management practices and its responses" suggesting that the FY2008 request could be met with some scepticism.<sup>25</sup> The FY2008 GWOT justification is almost identical to that for the FY2007 Supplemental.

## Oversight Concerns About Cost to Train and Equip Afghan and Iraqi Security Forces

For training and equipping, the FY2008 GWOT request includes an additional \$2.7 billion to expand Afghanistan's 31,000 man Army and 60,000 man police force and an additional \$2.0 billion for more equipment and training for Iraq's 136,000 man Army and 192,000 man police force. Including the funds in H.R. 1591, the FY2007 Supplemental would bring the total to \$19.2 billion for Iraq and \$10.6 billion for Afghanistan.

Although the FY2008 GWOT requests are considerably lower than the amounts requested for FY2007 — \$2 billion vs. \$5.5 billion for Iraq and \$2.7 billion vs. \$7.4 billion for Afghanistan — Congress has voiced concerns about the progress and the total cost to complete this training. While the FY2007 conference report dropped a House-proposal to set a 50% limit on obligations until various reports were submitted, the conferees require that OMB submit reports every 90 days on the use of funds and an estimate of the total cost to train Iraq and Afghan Security forces within 120 days of enactment. The conference report also requires that an

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<sup>24</sup> This includes \$1.5 billion in FY2005, \$3.3 billion in FY2006, and \$4.3 billion in FY2007 including the FY2007 Supplemental; see DOD, *FY2007 Emergency Supplemental Request for the Global war on Terror*, February 2007, p. 28.

<sup>25</sup> H.Rept. 110-107, p. 133; H.Rept. 110-60, p. 106; S.Rept. 110-37, pp. 25-27.

independent organization assess the readiness and capability of Iraqi forces to bring “greater security to Iraq’s 18 provinces in the next 12 -18 months....”<sup>26</sup>

## **Coalition Support and Commanders Emergency Response Program**

In FY2008, DOD requests \$1.7 billion for coalition support for U.S. allies like Pakistan and Jordan which conduct border counter-terror operations, and for the U.S. to provide lift to its allies. DOD also requests \$1 billion for the Commanders Emergency Response Program (CERP) where individual commanders can fund small-scale development projects, in both cases funding levels similar to FY2007.

While Congress has consistently supported the CERP program, it has voiced scepticism about the amounts requested for coalition support. In FY2007, for example, Congress has proposed cutting the Administration’s request for \$950 million to \$500 million on the grounds that DOD has not defined the use of these funds for a new “Global train and equip” program authorized in FY2006.<sup>27</sup>

## **Military Construction Overseas and Permanent Basing Concerns**

For war-related military construction and family housing, DOD requests \$908 million in FY2008 compared to \$1.8 billion in FY2007. Although the funding level is lower than the previous year, the same concerns about permanent basing in Iraq are likely to arise. Some of the FY2008 projects have been requested previously — such as building bypass roads, power plants and wastewater treatment plants in Iraq and providing relocatable barracks to replace temporary housing and constructing fuel storage facilities to replace temporary fuel bladders.<sup>28</sup>

Although Congress approved most of the projects requested in the FY2007 supplemental, Sec. 1311 of the conference version of H.R. 1591 includes a prohibition on obligating or expending any funds for permanent stationing of U.S. forces in Iraq. In the past, Congress has rejected projects similar to those requested in FY2008 as insufficiently justified or as implying some kind of permanency.

**Congressional Action.** In its subcommittee markup, the House Armed Services Committee reduced the FY2008 GWOT request for military construction by \$212 million, rejecting utility projects such as power plants and wastewater collection facilities perceived as indicating a permanent presence.<sup>29</sup>

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<sup>26</sup> H.Rept. 110-107, Sec. 1313 and Sec. 1320 of H.R. 1591 and H.Rept. 110-60, p. 101.

<sup>27</sup> H.Rept. 110-107, p. 126; see also H.Rept. 110-37, p. 22.

<sup>28</sup> DOD, *FY2008 Global War on Terror Request*, February 2007, p. 58-60; available at [[http://www.dod.mil/comptroller/defbudget/fy2008/fy2007\\_supplemental/FY2008\\_Global\\_War\\_On\\_Terror\\_Request.pdf](http://www.dod.mil/comptroller/defbudget/fy2008/fy2007_supplemental/FY2008_Global_War_On_Terror_Request.pdf)].

<sup>29</sup> House Armed Services Committee, Subcommittee on Readiness, “Opening Statement of (continued...)

## Potential issues in the FY2008 Base Budget Request

Following is a very brief summary of some of the other issues that may emerge during congressional action on the FY2008 defense authorization and appropriations bills, based on congressional action on the FY2007 funding bills and early debate surrounding the President's FY2008 budget request.

- **Military Pay Raise.** The budget request would give military personnel a 3% pay raise effective January 1, 2008, thus keeping pace with the average increase in private-sector wages as measured by the Department of Labor's Employment Cost Index (ECI). Some, contending that military pay increases have lagged civilian pay hikes by a cumulative total of 4% over the past two decades or so, have called for a 3.5% raise to close that so-called pay-gap. Defense Department officials deny any such pay-gap exists, maintaining that their proposed 3% increase would sustain their policy of keeping military pay at about the 70<sup>th</sup> percentile of pay for civilians of comparable education and experience. Congress mandated military pay-raises of ECI plus ½% in FY2000-2006. But for FY2007, the Administration requested an increase of 2.2%, equivalent to ECI, and Congress ultimately approved it, rejecting a House-passed increase to 2.7%.
- **Army and Marine Corps End-Strength Increases.** The budget request includes \$12.1 billion in the FY2008 base budget and an additional \$4.9 billion in the FY2008 war-fighting budget toward the Administration's \$112.3 billion plan to increase active-duty end-strength by 65,000 Army personnel and 27,000 Marines by 2013. Most of the additional personnel are slated for assignment to newly created combat brigades and regiments, which would expand the pool of units that could be rotated through overseas deployments, thus making it easier for the services to sustain overseas roughly the number of troops currently deployed in Iraq and Afghanistan. This recommendation marks a new departure for the Administration, which has resisted for several years calls by the congressional defense committees for such an increase in troop-strength. On the other hand, the proposal might be challenged by members who wonder how the services, in a time of tightening budgets, will afford the roughly \$13 billion annual cost of the additional troops. The proposal also might be opposed by members skeptical of future extended deployments on the scale of the current missions in Iraq and Afghanistan.

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<sup>29</sup> (...continued)

Chair Ortiz at Subcommittee Markup," May 8, 2007; [[http://www.house.gov/hasc/statements\\_all.shtml](http://www.house.gov/hasc/statements_all.shtml)].

- **Tricare Fees and Co-pays.** For the second year in a row, the Administration's budget proposes to increase fees, co-payments and deductibles charged retirees under the age of 65 by Tricare, the Defense Department's medical insurance program for active and retired service members and their dependents. The increases are intended to restrain the rapid increase in the annual cost of the Defense Health Program, which is projected to reach \$64 billion by FY2015. The budget request also reduces the health program budget by \$1.9 billion, the amount the higher fees are expected to generate. The administration contends that these one-time increases would compensate for the fact that the fees have not been adjusted since they were set in 1995. The Administration also is requesting a provision of law that would index future increases in Tricare fees to the average rate of increase in health care premiums nationwide. As was the case last year, the Administration proposal is vehemently opposed by organizations representing service members and retirees, which contend that the Defense Department has failed to adequately consider other cost-saving moves and that retiree medical care on favorable terms is appropriate, considering the unique burdens that have been borne by career soldiers and their dependents. Any future Tricare fee increases, some groups contend, should be indexed to increases in the Consumer Price Index (CPI) rather than to the much more rapid rise in health insurance premiums. Last year, Congress blocked the proposed fee increases for one year and established a study group to consider alternative solutions to the problem of rising defense health costs. That panel is slated to issue interim recommendations in May, 2007.<sup>30</sup>
- **National Guard Representation on the Joint Chiefs of Staff.** A number of National Guard units have been stripped of equipment needed for other units deploying to Iraq, leaving the units at home ill-prepared either to train for their military mission or to execute their domestic emergency role as the agent of their state governor. Some members of Congress and organizations that speak for the Guard contend that this situation reflects the regular forces' dismissive attitude toward Guard units, which should be counterbalanced by making the Chief of the National Guard Bureau a member of the Joint Chiefs of Staff, and elevating him to highest military rank — general (4 stars) — from his current rank of lieutenant general (3 stars). Congress has rejected these proposals before, but in March a congressionally chartered commission studying National Guard and reserve component issues endorsed the higher rank, while opposing the Joint Chiefs membership.
- **National Guard Stryker Brigades.** Governors, members of Congress and National Guard officials from several states have

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<sup>30</sup> See CRS Report RS22402, *Increases in Tricare Fees: Background and Options for Congress*, by Richard A. Best, Jr.

called on Congress to equip additional Guard combat units with the Stryker armored combat vehicle, which currently equips five active-duty Army brigades and one National Guard brigade (based in Pennsylvania). Stryker brigades deployed in Iraq report the eight-wheeled armored cars to be rugged under fire and agile; and because they move on oversize tires rather than metal caterpillar tracks like the big M-1 tanks and Bradley troop carriers that equip some Guard units, Strykers would be more versatile in domestic disaster-response missions, since they could travel on streets and roads without tearing them up. Perhaps as important as the Stryker units' vehicular capability is the surveillance and information network that is part of a Stryker brigade. It cost about \$1.2 billion to equip the Pennsylvania Guard unit as a Stryker brigade.

- **Future Combat Systems.** The FY2008 budget request contains \$3.7 billion to continue development of the Army's Future Combat System (FCS), a \$164 billion program to develop a new generation of networked combat vehicles and sensors that GAO and other critics repeatedly have cited as technologically risky. That critique may account for the fact that, last year, Congress cut \$326 million from the Administration's \$3.7 billion FY2007 request for the program. Ongoing operations in Iraq and Afghanistan also highlight the concern of some that FCS will be a more efficient way to fight the kind of armored warfare at which U.S. forces already excel while offering no clear advantage in fighting the sort of counter-insurgency operations that may be a major focus of U.S. ground operations for some time to come.<sup>31</sup> Particularly because the FY2008 request includes the first installment of procurement money for FCS (\$100 million), critics may try once again to slow the project's pace, at least for the more technologically exotic components not slated for deployment within the next five years.
- **Nuclear Power for Warships.** Congress may use the FY2008 bills to continue pressing the Navy to resume the construction of nuclear-powered surface warships. All U.S. subs commissioned since 1959 have had nuclear-powerplants because they give subs the extremely useful ability to remain submerged, and thus hard to detect, for weeks at a time. All aircraft carriers commissioned since 1967 also have been nuclear-powered ships. But because nuclear-powered surface ships cost significantly more to build and operate than oil-powered ships of comparable size, the Navy has built no nuclear-powered surface vessels since 1980, and has had none in commission since 1999. Proponents of nuclear power long have contended that this focus on construction costs has unwisely discounted the operational advantages of surface combatants that could steam at high speed for long distances, without having to

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<sup>31</sup> See CRS Report RL32888, *The Army's Future Combat System: Background and Issues for Congress*, by Andrew Feickert.

worry about fuel consumption. In recent years, they have cited rising oil prices to argue that nuclear-powered ships may not be much more expensive to operate than oil-fueled vessels. In 2006, a Navy study mandated by the FY2006 defense authorization bill (P.L. 109-163, Section 130) concluded that nuclear power would add about \$600 million to \$700 million to the cost of a medium-sized warship, like the Navy's planned CG(X) cruiser, and that such a ship's operating cost would be only 0-10% higher than an oil-powered counterpart, provided crude oil costs \$74.15 or more, per barrel (as it did at various times during 2006).<sup>32</sup> Congress might add to the FY2008 bills provisions that would require certain kinds of warships to be nuclear-powered in the future. Alternatively, it might require the Navy to design both oil-powered and nuclear-powered versions of the CG(X), the first of which is slated for funding in the FY2011 budget.

- **Littoral Combat Ships.** Congress will closely scrutinize the Navy's most recent restructuring of its plan to bulk up the fleet with a large number of small, fast Littoral Combat Ships (LCS) intended to use modular packages of weapons and equipment to perform various missions. In FY2005-07, Navy budgets funded six LCSs being built to two different designs by two contractors, Lockheed and Northrop Grumman. The Navy plans to select one of the two designs which would account for all the LCSs built beginning in FY2010. But in March 2007, responding to escalating costs in the first few LCS ships under construction, the Navy restructured the program, cancelling contracts for three of the ships already funded and reducing the number of LCS ships requested in the FY2008 budget from three to two. In the FY2008 defense bills, Congress might endorse the Navy's action, add funds for additional ships in FY2008, or take additional steps to ensure that LCS construction costs are under control before additional ships are funded.<sup>33</sup>
- **Virginia-Class Submarines.** Members may try to accelerate the Navy's plan to begin in FY2012 stepping up the production rate of *Virginia*-class nuclear-powered attack submarines from one ship per year to two. Because of the scheduled retirement after 30 years of service of the large number of *Los Angeles*-class subs commissioned in the 1980 and 1990s, the Navy's sub fleet will fall short of the desired 48 ships (out of a total fleet of 313 Navy vessels) from 2020 until 2033. In addition to approving the Navy's FY2008 request for \$1.8 billion to build a sub for which nuclear reactors and other components were funded in earlier years and \$703 million for reactors and components that would be used in subs slated for

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<sup>32</sup> See CRS Report RL33946, *Navy Nuclear-Powered Surface Ships: Background, Issues and Options for Congress*, by Ronald O'Rourke.

<sup>33</sup> See CRS Report RL33741, *Navy Littoral Combat Ship (LCS) Program: Oversight Issues and Options for Congress*, by Ronald O'Rourke.

funding in future budgets, Congress may add more so-called “long lead” funding for an additional sub for which most of the funding would come in FY2009 or FY2010. The Navy says it would need an additional \$400 million down payment in FY2008 to make it feasible to fund an additional sub in FY2010.<sup>34</sup> But Navy officials also argue that buying an additional sub before 2012 could throw future Navy budgets out of balance.

- **F-35 (Joint Strike Fighter).** Congress may reject the Administration’s proposal to drop development of the General Electric F-136 jet engine being developed as a potential alternative to the Pratt & Whitney F-135 engine slated to power the F-35 Joint Strike Fighter. Congress has backed development of an alternate engine for the F-35 since 1996 and last year rejected the Administration’s proposal to terminate the program, adding \$340 million to the FY2007 defense funding bills to continue the alternate engine program.<sup>35</sup> Defense Department officials, noting that they would save \$1.8 billion by ending the alternate engine program, contend that because of improvements in the process of designing and developing jet engines, it would not be imprudent to rely on a single type of engine to power what likely will be the only U.S. fighter plane in production after about 2015. Many members are skeptical of that argument, citing the poor reliability demonstrated in the late 1970s by the Pratt & Whitney F-100 engine that powered both the F-15 and F-16, a problem that caused Congress to mandate development of an alternative (GE-built) engine. Supporters of the dual engine approach also contend that competition between the two engine manufacturers produced significant savings in F-15 and F-16 engine costs, a claim disputed by some analyses.
- **C-17 Production and C-5 Upgrades.** There appears to be strong support in Congress for fielding a larger fleet of long-range cargo jets big enough to haul heavy Army combat gear than Defense Department plans would fund. As in past years, the result may be a combination of congressional actions that would (1) restrict the ability of the Air Force to retire older C-5A planes and (2) fund additional C-17 planes, beyond the 190 the Air Force plans to buy. In March 2006, the Defense Department’s first “post 9/11” review of its long-range transportation needs concluded that the services’ long-range airlift needs could be met, with acceptable risk, by the Air Force’s plan to upgrade fleet of 109 C-5s (divided between “A” and newer “B” models) and to buy a total of 180 C-17s. Rejecting the department’s analysis on several grounds, Congress barred retirement of any C-5s and added 10 C-17s to the FY2007 defense

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<sup>34</sup> See CRS Report RL32418, *Navy Attack Submarine Force-Level Goal and Procurement Rate: Background and Issues for Congress*, by Ronald O’Rourke.

<sup>35</sup> See CRS Report RL33390, *Proposed Termination of Joint Strike Fighter (JSF) F136 Alternate Engine*, by Christopher Bolkcom.

funding bills. The most conspicuous change in this issue since then has been the Administration's decision to enlarge the Army and Marine Corps, a move which, arguably, requires a larger airlift fleet.<sup>36</sup>

- **Air Force Tanker Procurement.** The \$315 million requested in FY2008 to develop a new mid-air refueling tanker to replace the Air Force KC-135s well into their fifth decade of service may become a vehicle for congressional action intended to bolster the position of either Boeing or the team of Northrop Grumman and Airbus, who are competing for the contract in a contest scheduled to be decided late in 2007. Immediately at issue is a contract for 179 refueling planes. But follow-on contracts may bring the number of planes ultimately purchased to 540.<sup>37</sup>
- **New Nuclear Warhead.** Differences over the future role of nuclear weapons in U.S. national security planning may crystallize into a debate over the \$119 million requested in the FY2008 national defense budget to continue development of a so-called Reliable Replacement Warhead (RRW), which is intended to replace warheads that were built in the 1970s and 1980s and have been kept in service longer than initially planned. That total includes \$89 million for the National Nuclear Security Administration of the Department of Energy and \$30 million for the Navy. The new warhead is intended to be easier to maintain than aging types now in service and to be deployable without breaking the moratorium on nuclear test explosions the U.S. government has observed since 1992. Supporters argue that RRW is needed because of concerns that maintenance of currently deployed warheads may prove increasingly difficult in the long term. On the other hand, critics of the RRW program contend that fielding new warheads of an untested type might build political pressure to resume testing eventually. Moreover, they contend, that the program to extend the service life of existing warheads without testing has proven successful for more than a decade and should become even more reliable because of advances in understanding of the physics of current weapons. Since the funds requested in FY2008 would allow the RRW program to cross a critical threshold, from design and cost analysis to the start of detailed development work, members who want to rein in the program have a strong incentive to use the FY2008 funding bills to do it.<sup>38</sup>

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<sup>36</sup> See CRS Report RS20915, *Strategic Airlift Modernization*, by Christopher Bolkcom.

<sup>37</sup> See CRS Report RS20941, *Air Force Aerial Refueling*, by Christopher Bolkcom.

<sup>38</sup> See CRS Report RL32929, *The Reliable Replacement Warhead Program: Background and Current Developments*, and CRS Report RL33748, *Nuclear Warheads: The Reliable Replacement Warhead Program and the Life Extension Program*, both by Jonathan Medalia.

- **Non-Nuclear Trident Missile Warhead.** Months after Congress denied most of the \$127 million requested in FY2007 to develop a non-nuclear warhead for the Trident long-range, submarine-launched ballistic missile, the administration has requested \$175 million for the program in FY2008. The argument in favor of the program is that it would allow U.S. forces to quickly strike urgent or mobile targets anywhere in the world, even if no U.S. forces were located nearby. On the other hand, some skeptics of the program argue that the system would require precise, virtually real-time intelligence about targets that may not be available and that other countries — including some like Russia and China that are armed with long-range, nuclear-armed missiles — might misinterpret the launch of a conventionally-armed U.S. missile as an indication that they were under nuclear attack. Some members may try to slow the program, as Congress did last year.<sup>39</sup>
- **Missile Defense Budget.** If only because it is the largest acquisition program in the budget, the \$8.9 billion requested in FY2008 for the Missile Defense Agency would draw close scrutiny because of the stringent budget limits within which the defense committees are working. But there also may be some efforts to cut that request that are rooted in the long-running debate that continues over how soon missile defense would be needed, and over the relative effectiveness of the many anti-missile systems under development. Efforts are likely to reduce funding for some of the more technologically challenging programs, such as the Airborne Laser (ABL), which has encountered several delays and for which the Administration has requested \$549 million in FY2008.<sup>40</sup> Another possible target for congressional cuts is the \$300 million requested to begin work on a third anti-missile site in Eastern Europe. Touted by the Administration as a defense against a possible threat from Iran, the proposal to field anti-missile interceptors in the Czech Republic has been denounced by Russia.
- **Revisiting BRAC.** Because of well-publicized cases of inadequate care received by some Iraq War veterans at Walter Reed Army Medical Center, which is slated for realignment as one of the recommendations made by the 2005 Base Realignment and Closure (BRAC) Commission, and approved by President George W. Bush, critics of some other BRAC actions may be encouraged to try to slow or reverse those decisions. If successful, such efforts might unravel the entire base closure process, which was designed to prevent members from politicking to save any one particular base from closure. Since 1989, the requirement that Congress and the

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<sup>39</sup> See CRS Report RL33067, *Conventional Warheads for Long-Range Ballistic Missiles: Background and Issues for Congress*, by Amy F. Woolf.

<sup>40</sup> See CRS Report RL32123, *Airborne Laser (ABL): Issue for Congress*, by Christopher Bolkcom and Stephen A. Hildreth.

President deal with each of the four sets of recommended closures as a package, on a “take it or leave it” basis, has highlighted the potential savings of the entire package of closures while preventing supporters of any one base from rounding up support for saving their site from closure on the grounds that, considered in isolation, closing it would save very little. But since the furor over Walter Reed has at least prompted some public calls for reconsidering that particular BRAC decision, critics of other closures may argue that changes in circumstance since 2005 require a re-look at other parts of the BRAC package. In addition, jurisdictions anticipating a large population influx as they acquire organizations formerly housed at installations being closed, may seek impact assistance to expand their overstretched transportation, utility, housing and education infrastructures.

- **Contract Oversight.** Because of several recent cases in which high profile weapons acquisition programs have been hobbled by escalating costs and technical shortcomings, members may want to review the management of individual programs and the evolution over the past decade or so of the Defense Department’s acquisition management process with an eye toward using the FY2008 funding bills to strengthen the government’s hand in dealing with industry. Secretary of the Navy Donald C. Winter and Chief of Naval Operations Adm. Michael G. Mullen have declared that the Navy intends to reclaim some of the authority over ship design it has ceded to industry and members may look for ways to jump-start that effort as they deal with, for instance, the troubled Littoral Combat Ship (LCS) program. Similarly, members intent on imposing congressional priorities on the Army’s Future Combat System (FCS) may question the amount of managerial discretion the Army has vested in the Lead System Integrator: a private entity — in this case, a team of Boeing and SAID — hired to manage a large, complex program that consists of more than a dozen vehicles and sensors linked by a computer network. One rationale for the outsourcing to industry of management roles previously filled by Pentagon acquisition managers is that the Defense Department no longer has the in-house expertise needed to manage such complicated acquisitions. Some members may want the Defense Department to come up with a long-term plan to restore enough in-house expertise to make the government a smarter customer.<sup>41</sup>

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<sup>41</sup> See CRS Report RS22631, *Defense Acquisition: Use of Lead System Integrators (LEIS) — Background, Oversight Issues, and Options for Congress*, by Valerie Bailey Grasso.

## **Bill-by-Bill Synopsis of Congressional Action to Date**

### **Congressional Budget Resolution**

Congress has begun, but has not completed, work on the annual congressional budget resolution, which includes recommended ceilings for FY2008 and the following four fiscal years on budget authority and outlays for national defense and other broad categories (or “functions”) of the federal government. These functional ceilings are not binding on the Appropriations committees nor do they formally constrain the authorizing committees in any way. But the budget resolution’s ceiling on the so-called “050 function”—the budget accounts funding the military activities of DOD and the defense-related activities of the Department of Energy and other agencies—may indicate the general level of support in each chamber for the President’s overall defense budget proposal.

The House version of the budget resolution (H Con Res 99), adopted March 29, 2007 by a vote of 216-210 that broke basically along party lines, recommends for FY2008 an overall ceiling on defense budget authority of \$652 billion, essentially the amount the President requested. The House budget resolution also includes non-binding policy recommendations that (1) oppose the Administration’s request to increase retirees’ medical fees and (2) call for a reduction in the administration’s \$9.8 billion budget request for missile defense.

The Senate version of the budget resolution (S Con Res 21), adopted March 23 by a vote of 52-47 that basically followed party lines, recommends for FY2008 a defense budget ceiling of \$649 billion, slightly less than was requested. During debate on the resolution, the Senate rejected by a vote of 47-51 an amendment that would have created a “firewall” between defense spending and domestic spending, making it impossible to use for domestic programs discretionary budget authority under an overall spending ceiling that had been earmarked for defense.

### **FY2008 Defense Authorization: Highlights of the House Armed Services Committee Bill<sup>42</sup>**

**Operations in Iraq and Afghanistan.** Operations in Iraq and Afghanistan Although the effort of some members of Congress to force a withdrawal of U.S. troops from Iraq is one of the most contentious issues on the country’s political agenda, the version of the FY2008 defense authorization bill reported May 9 by the House Armed Services Committee includes no provisions relating to any deadline for ending U.S. deployments in Iraq. However, the bill would require several reports on operations in Iraq and Afghanistan.

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<sup>42</sup> This section is based on the House Armed Services Committee’s summary of its action, released May 9, 2009. It will be revised as soon as the committee report on H.R. 1585 becomes available.

The bill would require the top U.S. military commander in Iraq and the U.S. ambassador to provide Congress with a detailed assessment of the situation in that country covering various issues, including an assessment of Iraqi security forces and a review of trends in attacks by insurgents and Al Qaeda fighters on U.S. and allied forces.

The bill also includes several provisions focused on operations in Afghanistan, including a requirement the Secretary of Defense send Congress a detailed plan for achieving sustained, long-term stability in that country. The bill also would require creation of a special inspector general to oversee U.S.-funded reconstruction efforts in Afghanistan, paralleling the office that has uncovered instances of waste and fraud in Iraqi reconstruction efforts.

In addition, the bill would require the Government Accountability Office (GAO) to review the Joint Improvised Explosive Device Organization, created to coordinate efforts to neutralize roadside bombs and car bombs, which have been responsible for more U.S. troop fatalities in Iraq than any other factor. The bill also would cut from the military construction request \$212 million for facilities such as powerplants and wastewater treatment plants which, the committee said, implied an intention to continue U.S. deployments for a prolonged period.

**Other FY2008 Defense Budget Issues.** Some of the hundreds of changes the House Armed Services Committee made to the President's FY2008 defense request in the committee's version of H.R. 1585 reflect broader themes, some of which the committee has struck in its action on earlier defense budget requests:

*The Committee bill would fund the proposed expansion of the active-duty Army and Marine Corps and would compensate the troops more generously.* After years of rejecting the committee's recommendations to increase the number of ground troops, the administration has launched a plan to increase the permanent end-strength of the Army and Marine Corps by a total of 92,000 troops by 2012. In addition to funding that end-strength increase, the committee bill would increase military pay by 3.5%, instead of the 3.0 increase requested, and would bar for the second year in a row a proposed increase in medical care fees for retirees.

*It would mandate several actions intended to improve the quality of military medical care, particularly for service members in outpatient status.* The bill incorporates the text of H.R. 1538, the Wounded Warrior Assistance Act of 2007, passed by the House March 28, 2007, among the provisions of which are (1) requirements for more proactive management of outpatient service members, (2) requirements for regular inspections of housing facilities occupied by recovering service members and reports on other aspects of military medical care, and (3) a one-year ban on the privatization of jobs at any military medical facility.

*It would shore up current combat capabilities, in part with funds diverted from the budget request for technologically advanced weapons programs that promise increased military capability in the future.* It would add funds to the requests for anti-missile systems designed to protect forces in the field from the sort of short-range and medium-range missiles deployed (or nearly deployed) by potential adversaries such as North Korea and Iran. At the same time, it would slice funding

from the amounts requested for the Airborne Laser and for development of space-based anti-missile weapons, more innovative weapons intended for use against long-range missiles that those adversaries have not yet fielded. Similarly, it would cut several hundred million from the request for the Army's Future Combat System program, targeting some of its more exotic elements, while adding funds to expand production of Stryker armored combat vehicles and "mine-resistant, ambush-protected" (MRAP) troop carriers. It also would extend production of the C-17, long-range, wide-body cargo jet, adding funds for 10 more airplanes.

*The committee would slow some acquisition programs to allow a more orderly process of setting their requirements and testing their effectiveness.* For instance, the bill would require an operationally realistic test of the communications and sensor network that is essential to the Army's FCS program before the system goes into production. It also would defer production of a medium-range cargo plane, the Joint Cargo Aircraft, until the Pentagon completes a study of its requirement for aircraft of that type. In addition, the bill would slow development of a new troop carrier, slated to replace the High-Mobility, Multi-purpose, Wheeled Vehicle (HMMWV), until some of the technologies used in the vehicles are more mature.

*The committee would slow some programs that might draw adverse international reactions.* It would reduce funding for development of a new Reliable Replacement Warhead (RRW) and for construction of a new production facility for plutonium to be used in nuclear warheads, programs some have said would complicate U.S. efforts to bar the proliferation of nuclear weapons. It also would eliminate funding to deploy anti-missile interceptors in Europe, a plan to which Russia has objected. In addition, the bill would reduce funding for development of a non-nuclear warhead for Trident submarine-launched ballistic missiles, the launch of which — some critics warn — might be mistakenly interpreted as the launch of a nuclear attack.

Some other highlights of committee action include the following:

- **Tricare Fee Freeze.** As the FY2007 authorization bill did, this bill would bar for one year proposed increases in Tricare fees (including pharmacy fees). The committee noted that a commission appointed to study alternative Tricare cost controls is not scheduled to complete its work until the end of the year. The bill also would authorize an increase in Tricare funding by \$1.9 billion, the amount by which Pentagon officials reduced the Tricare budget request in anticipation of the higher fees.
- **Health Care Improvements.** The bill would create an initiative to improve care of service members suffering traumatic brain injury, which is a relatively frequent result of roadside bomb attacks on U.S. vehicles in Iraq. It also would allow the Navy to reduce its number of medical personnel by only 410, rather than the reduction of 900 the budget assumed. The bill also incorporates the provisions of H.R. 1538, the Wounded Warrior Assistance Act of 2007, passed by the House March 28 which, among many other provisions, would do the following: mandate the assignment of case managers to

outpatient service members and require regular reviews of their cases; create toll-free hotlines on which service members and their families can report deficiencies in military-support facilities; establish standardized training programs for Defense Department personnel engaged in evaluating wounded service members for possible discharge on grounds of disability; establishment of a separate fund to support the treatment of wounded or injured service members and their return to service or their transition to civilian life; mandates development of policies to reduce the likelihood that personnel in combat will experience post-traumatic stress disorder (PTSD) or other stress-related illnesses; require regular inspections of all living quarters occupied by service members recovering from wounds; and prohibit for one year any effort to convert jobs at a military medical facility from military to civilian positions.

- **National Guard Issues.** The bill would elevate the chief of the Guard Bureau, a position that currently carries with it the rank of lieutenant general, to the rank of general, and would designate that officer as an advisor to the Secretary of Defense and the Secretary of Homeland Security. However, the bill would not make the Guard Bureau chief a member of the Joint Chiefs of Staff, as some advocates for the National Guard have advocated. The bill also would authorize an addition of \$500 million to the budget in order to fill National Guard equipment shortages, the total cost of which the current chief of the National Guard Bureau said totaled \$2 billion. In addition, it would authorize the addition of \$30 million to upgrade the engines on F-16s flown by National Guard squadrons. The bill also would require the Secretary of Defense to send Congress quarterly reports on the readiness of National Guard units to perform both their wartime mission and the domestic missions they would be called on in response to a natural disaster or domestic disturbance.
- **Training.** The bill would authorize an additional \$250 million for training not covered by the budget request. The committee warned that the readiness of ground combat forces in particular was suffering because their training was focused heavily on the type of mission they would perform in Iraq and Afghanistan, rather than on the full spectrum of missions they might have to execute.
- **Maintenance and Readiness.** The bill would add to the budget request \$165 million for additional major overhauls of ships, planes, vehicles and electronic equipment beyond what the budget would cover. It also would create a \$1 billion Strategic Readiness Fund to allow the services to address equipment shortages that resulted in critical readiness shortfalls. To better focus attention on readiness problems, the bill would create a Defense Readiness Production Board to identify shortages of equipment or supplies anticipated to last for two years or longer. It also requires DOD to report the

current readiness of ground forces and prioritize the steps that will be taken to improve the state of readiness.

- **Special Forces Priorities.** Several provisions of the bill reflect a concern by some committee members that the services' special operations forces have been emphasizing "direct action" (efforts to kill or capture terrorists) at the expense of "indirect action" ( training other countries' security forces and developing working relationships with them to help set conditions that inhibit the spread of terrorism). The bill would require the Special Operations Command to send Congress an annual report on its plan to meet its requirements for indirect action. It also would authorize additional funds for "irregular warfare support" research aimed at better understanding radical Islamist strategies and the cultures in which terrorists seek a foothold.
- **Civilian Employees.** The bill would change the rules governing cost competitions to determine whether functions currently performed by federal employees should be contracted out to private companies. The committee said that the changes, which would tend to advantage federal employees in such a contest, were needed to ensure a fair and balanced cost comparison. It also would require a recently created personnel system for civilian DOD employees to provide additional rights of collective bargaining and appeal rights, and would impose limits on the new system's "pay for performance" compensation rules.
- **Armored Troop Carriers.** The bill would increase by \$4.1 billion — to \$4.6 billion, the amount authorized to equip Army, Marine Corps and Special Operations units with Mine Resistant Ambush Protected (MRAP) vehicles, shaped and armored to better protect troops from roadside bombs. It approved the requests for \$2.3 billion to buy armored HMMWV vehicles and \$1.1 billion for add-on armor to protect personnel in other vehicles from roadside bombs.
- **Ground Combat Vehicles.** The bill would cut \$857 million from the \$3.56 billion requested to continue developing the Army's Future Combat System (FCS), a networked set of ground vehicles, unmanned aircraft and sensors that would make up the next generation of ground combat equipment. FCS supporters contended that the cut would cripple the program; but a proponents of the committee action contended that the cuts had been aimed at more exotic components not slated to enter service for years, sparing elements of FCS that would be available sooner. The bill also approved the request for \$4 billion to upgrade M-1 tanks and Bradley armored troops carriers currently in service. It would authorize \$88 million of the \$288 million requested for the Expeditionary Fighting Vehicle, a Marine Corps effort to develop a new amphibious combat vehicle, work on which has been suspended pending a DOD review.

- **Communication Programs Slowed.** The bill would cut \$2.1 billion from the \$2.6 billion requested for the Joint Network Node (JNN), an effort to develop for ground troops an internet-based mobile voice, video and data link that would be used pending development of a more ambitious communications network system designated Warfighter Information Network - Tactical (WIN-T). Committee members contended that JNN could not usefully absorb the amount requested. Moreover, the committee insisted that JNN, which had been launched as an interim system start managed under relatively informal procedures, begin to operate under the more demanding procedures applied to major systems purchases and that the procurement of future lots of the system be competed. The bill also would cut \$102 million from the \$222 million requested to develop the follow-on communication system, WIN-T. On the other hand, the bill authorized the \$964 million requested to develop a satellite-based, long-range communications network linked by lasers.
- **Combat Jets.** The bill would authorize production 11 of the 12 F-35 tri-service fighters requested. It would use the \$230 million thus saved from the \$2.7 billion F-35 procurement request plus \$250 million diverted from the \$3.5 billion R&D request to continue development of an alternative jet engine, a project the budget would terminate. The bill also would authorize the amounts requested for 20 Air Force F-22 fighters (\$3.2 billion, plus \$744 million for R&D) and 18 EA-18Gs, which are electronic-jamming versions of the Navy's F/A-18E/F fighter (\$1.3 billion, plus \$273 million for R&D). It would authorize 33 of the 36 F/A-18E/Fs requested (\$2.6 billion, a \$182 million reduction from the request).
- **Long-Range Cargo Jets.** The bill would add to the budget \$2.4 billion for 10 additional C-17 wide-body, long-range cargo jets. DOD's budget would have ended production of the planes, as would its FY2007 budget, which Congress also overrode to keep the C-17 production line running. In addition, the bill would repeal existing law that bars DOD from retiring any of its C-5 cargo jets. The bill would allow the Air Force to begin retiring older C-5s once the production of C-17s, plus remaining C-5s comprised a total long-range cargo fleet of 299 planes.
- **Shipbuilding.** The bill included a provision requiring that all new classes of cruisers, submarines and aircraft carriers be nuclear-powered, although the requirement could be waived in any case in which the Secretary of Defense determined it not to be in the national interest. The bill added to the budget request \$1.7 billion for a San Antonio-class amphibious landing transport (in addition to the \$1.4 billion requested for one of the ships), \$400 million for a T-AKE class supply ship (in addition to the \$456 million requested for one), and \$588 million to buy the nuclear power plant and other components of an additional Virginia-class submarine, for which the

bulk of the funds would have to be provided in a future budget (in addition to the \$1.8 billion approved as requested for one sub and the \$703 million requested for another set of long-leadtime sub components). The bill also authorized \$711 million for two smaller warships, designated LCS, which is what the Navy wanted after it dropped from its FY2008 budget request funding for a third ship of the class because of escalating costs in construction of earlier ships of the type. The committee also directed the Navy to report on the underlying causes of the LCS cost-overruns and on steps that were being taken to prevent their recurrence. The bill also authorized the amounts requested to begin work on a nuclear-powered carrier (\$2.7 billion), to complete two DDG-1000-class destroyers that were partly funded in the FY2007 budget and to buy components for use in future ships of this type (\$2.8 billion), and to complete a helicopter carrier designed to support amphibious landings, some funds for which were provided in the FY2007 budget (\$1.4 billion).

- **Missile Defense.** The bill would cut a total of \$764 million from the \$8.8 billion requested for the Missile Defense Agency. The largest cut in a single missile defense program was \$250 million cut from the \$548 million requested to continue development of an airborne laser (ABL). The bill also would cut \$160 million from the \$300 million requested to field in Eastern Europe a third cluster of anti-missile interceptor rockets, of the type already deployed in Alaska and California to intercept intercontinental range missiles. The cut would block construction of the planned launch silos in the Czech Republic. The bill also would authorize a total of \$2.5 billion, slightly more than was requested, for Patriot and Aegis systems designed to protect U.S. forces and allies against short-range and medium-range missiles currently deployed by North Korea, Iran and many other countries. It would deny \$10 million requested to begin development of space-based anti-missile interceptor missiles.
- **Nuclear Weapons and Non-proliferation.** The bill would cut \$45 million from the \$119 million requested to develop a new nuclear warhead—the Reliable Replacement Warhead (RRW)—to replace aging warheads currently deployed. The committee said it wanted to slow development of the new weapon pending a report on future U.S. nuclear weapons deployments, which the bill would create a blue-ribbon panel to prepare. The bill also would authorize \$142 million of the \$175 million requested to develop a non-nuclear warhead for the Trident submarine-launched missile. The committee wanted to defer production of the weapon pending study of how it would be used and how the risk could be minimized that launch of a conventionally-armed Trident would be misinterpreted as nuclear attack.

## For Additional Reading

### **Overall Defense Budget**

CRS Report 98-756, *Defense Authorization and Appropriations Bills: FY1970-FY2007*, by Thomas Coipuram Jr.

*FY2008 Defense Budget: Issues for Congress - Seminar Slides*, by Stephen Daggett, Ronald O'Rourke, David F. Burrelli, and Amy Belasco. February 12, 2007, MM70099, [<http://www.crs.gov/products/multimedia/MM70099.shtml>].

CRS Report RL33405, *Defense: FY2007 Authorization and Appropriations*, by Stephen Daggett.

CRS Report RL33900, *FY2007 Supplemental Appropriations for Defense, Foreign Affairs, and Other Purposes*, by Stephen Daggett et al.

CRS Report RL33427, *Military Construction, Military Quality of Life and Veterans Affairs: FY2007 Appropriations*, by Daniel H. Else, Christine Scott, and Sidath Viranga Panangala.

### **Military Operations: Iraq, Afghanistan, and Elsewhere**

CRS Report RL33837, *Congressional Authority To Limit U.S. Military Operations in Iraq*, by Jennifer K. Elsea, Michael John Garcia, and Thomas J. Nicola.

CRS Report RL33803, *Congressional Restrictions on U.S. Military Operations in Vietnam, Cambodia, Laos, Somalia, and Kosovo: Funding and Non-Funding Approaches*, by Amy Belasco, Hannah Fischer, Lynn J. Cunningham, and Larry A. Niksch.

CRS Report RS20775, *Congressional Use of Funding Cutoffs Since 1970 Involving U.S. Military Forces and Overseas Deployments*, by Richard F. Grimmett.

CRS Report RL33110, *The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11*, by Amy Belasco.

CRS Report RL33298, *FY2006 Supplemental Appropriations: Iraq and Other International Activities; Additional Hurricane Katrina Relief*, by Paul M. Irwin and Larry Nowels.

CRS Report RL32170, *Instances of Use of United States Armed Forces Abroad, 1798-2006*, by Richard F. Grimmett.

CRS Report RL33532, *War Powers Resolution: Presidential Compliance*, by Richard F. Grimmett.

## **U.S. Military Personnel and Compensation**

CRS Report RL33571, *The FY2007 National Defense Authorization Act: Selected Military Personnel Policy Issues*, by Charles A. Henning, David F. Burrelli, Lawrence Kapp, and Richard A. Best Jr.

CRS Report RL33537, *Military Medical Care: Questions and Answers*, by Richard A. Best Jr.

CRS Report RL33446, *Military Pay and Benefits: Key Questions and Answers*, by Charles A. Henning.

CRS Report RL33449, *Military Retirement, Concurrent Receipt, and Related Major Legislative Issues*, by Charles A. Henning.

CRS Report RL31334, *Operations Noble Eagle, Enduring Freedom, and Iraqi Freedom: Questions and Answers About U.S. Military Personnel, Compensation, and Force Structure*, by Lawrence Kapp.

## **Defense Policy Issues**

CRS Report RS22443, *Border Security and Military Support: Legal Authorizations and Restrictions*, by Stephen R. Vina.

CRS Report RL33153, *China Naval Modernization: Implications for U.S. Navy Capabilities - Background and Issues for Congress*, by Ronald O'Rourke.

CRS Report RL31404, *Defense Procurement: Full Funding Policy - Background, Issues, and Options for Congress*, by Ronald O'Rourke and Stephen Daggett.

CRS Report RS22149, *Exemptions from Environmental Law for the Department of Defense: Background and Issues for Congress*, by David M. Bearden.

CRS Report RS21754, *Military Forces: What is the Appropriate Size for the United States?*, by Edward F. Bruner.

CRS Report RS22266, *The Use of Federal Troops for Disaster Assistance: Legal Issues*, by Jennifer K. Elsea.

## **Defense Program Issues**

CRS Report RL32123, *Airborne Laser (ABL): Issues for Congress*, by Christopher Bolkcom and Steven A. Hildreth.

CRS Report RL32888, *The Army's Future Combat System (FCS): Background and Issues for Congress*, by Andrew Feickert.

CRS Report RS22120, *Ballistic Missile Defense: Historical Overview*, by Steven A. Hildreth.

CRS Report RL32347, *“Bunker Busters”: Robust Nuclear Earth Penetrator Issues, FY2005-FY2007*, by Jonathan Medalia.

CRS Report RL33067, *Conventional Warheads for Long-Range Ballistic Missiles: Background and Issues for Congress*, by Amy F. Woolf.

CRS Report RL31673, *F-22A Raptor*, by Christopher Bolkcom.

CRS Report RL33240, *Kinetic Energy Kill for Ballistic Missile Defense: A Status Overview*, by Steven A. Hildreth.

CRS Report RS20851, *Naval Transformation: Background and Issues for Congress*, by Ronald O’Rourke.

CRS Report RL32418, *Navy Attack Submarine Force-Level Goal and Procurement Rate: Background and Issues for Congress*, by Ronald O’Rourke.

CRS Report RL32109, *Navy DDG-1000 (DD(X)) and CG(X) Ship Acquisition Programs: Oversight Issues and Options for Congress*, by Ronald O’Rourke.

CRS Report RL33955, *Navy Force Structure: Alternative Force Structure Studies of 2005 - Background for Congress*, by Ronald O’Rourke.

CRS Report RL32665, *Navy Force Structure and Shipbuilding Plans: Background and Issues for Congress*, by Ronald O’Rourke.

CRS Report RS20643, *Navy Ford (CVN-78) Class (CVN-21) Aircraft Carrier Program: Background and Issues for Congress*, by Ronald O’Rourke.

CRS Report RL33741, *Navy Littoral Combat Ship (LCS) Program: Oversight Issues and Options for Congress*, by Ronald O’Rourke.

CRS Report RL32513, *Navy-Marine Corps Amphibious and Maritime Prepositioning Ship Programs: Background and Oversight Issues for Congress*, by Ronald O’Rourke.

CRS Report RL31957, *Nonproliferation and Threat Reduction Assistance: U.S. Programs in the Former Soviet Union*, by Amy F. Woolf.

CRS Report RL32572, *Nonstrategic Nuclear Weapons*, by Amy F. Woolf.

CRS Report RL32929, *The Reliable Replacement Warhead Program: Background and Current Developments*, by Jonathan Medalia.

CRS Report RL33745, *Sea-Based Ballistic Missile Defense - Background and Issues for Congress*, by Ronald O’Rourke.

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CRS Report RL32476, *U.S. Army's Modular Redesign: Issues for Congress*, by Andrew Feickert.

CRS Report RL31623, *U.S. Nuclear Weapons: Changes in Policy and Force Structure*, by Amy F. Woolf.

CRS Report RS21048, *U.S. Special Operations Forces (SOF): Background and Issues for Congress*, by Andrew Feickert.

CRS Report RL33640, *U.S. Strategic Nuclear Forces: Background, Developments, and Issues*, by Amy F. Woolf.