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COMMITTEE ON ARMED SERVICES

U.S. House of Representatives

Washington, DC 20515-6035

ONE HUNDRED FIFTEENTH CONGRESS

March 3, 2017

ROBERT L. SIMMONS, II, STAFF DIRECTOR

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

Dear Chairman Black:

Pursuant to section 301(d) of the Congressional Budget Act of 1974, and clause 4(f) of rule X of the Rules of the House of Representatives for the 115th Congress, we are forwarding to you the views of the Committee on Armed Services regarding the national defense Budget Function (050) for fiscal year 2018 (FY18).

As members of the Committee on Armed Services, we are encouraged to see that restoring our nation's defense is included as part of your projected budget agenda for the upcoming year. Likewise, we support President Trump's commitment to rebuilding the military and his early directive to Secretary Mattis that, "To pursue peace through strength, it shall be the policy of the United States to rebuild the U.S. Armed Forces." Earlier this week, the White House previewed a budget request for FY18, which proposed \$603 billion for national defense base requirements, a 3.2% increase for national defense compared to the FY18 funding levels proposed in President Obama's last budget request. That level of funding will not accomplish the Administration's goals. Instead, we fear that it would unintentionally lock in a slow fix to readiness, consistent with the Obama Administration's previous position, from which we would not be able to dig out.

Still, the restoration of our national defense is ultimately a congressional responsibility. Article I, Section 8 of the Constitution explicitly states that it is Congress's duty to "raise and support," "provide and maintain," and "make rules for the government and regulation of" the military forces of the United States. It is our first and greatest responsibility. Therefore, we welcome the opportunity to provide our views on the resources required for national defense. At the Speaker's direction, Members of the Committee on Armed Services have carefully identified the funding gaps that have resulted in significant damage to our military in recent years, as well as the funding required to fulfill the specific goals set by President Trump. Meeting those

objectives will require additional funding above that projected by the last Obama budget proposal for FY18. These increases include an additional \$15 billion to start rebuilding toward an active Army of 490,000 Soldiers; almost \$14 billion to begin repairing our ships, restoring our naval presence around the world, and recovering current readiness shortfalls; and nearly \$11 billion to replace worn out equipment and begin making up for military training missed over the last four years. It will take nearly \$4 billion to restore over-used facilities. We assess that the total cost to begin the repair and rebuilding effort is approximately \$640 billion next year, or a 9.5% increase. If the Administration and Congress decide they are willing to take greater risk in some areas, then these numbers can be adjusted. However, less funding will have real consequences, as we explain in detail below. We have no higher responsibility than to ensure that our military men and women willing to make the ultimate sacrifice to defend our country, are adequately equipped, trained, and sized for the missions we ask them to undertake.

Current National Security Environment

The world continues to grow more dangerous. Two years ago, Dr. Henry Kissinger testified before Congress that, "The United States has not faced a more diverse and complex array of crises since the end of the Second World War." The Director of the Defense Intelligence Agency echoed this assessment last year when he testified that, "The world is far more complicated, it is far more destabilized, it is far more complex than at any time that I have seen it." And just last month, retired General David Petraeus, the former CIA Director, told our committee that we are "now under unprecedented threat from multiple directions" and that "perhaps even more pernicious... [the world order has been undermined by] a loss of self-confidence, resolve, and strategic clarity on America's part about our vital interest in preserving and protecting the system we sacrificed so much to bring into being and have sacrificed so much to preserve."¹

Eight years ago, there was a hope that the U.S. could "reset" relations with Russia, withdraw U.S. forces from Iraq and Afghanistan, strike a nuclear deal with Iran that would lead to greater cooperation, and cut our ballistic missile defense and nuclear forces, the latter of which would encourage others to do the same. These "hopes" provided the basis for cuts in defense spending and the rationale for a smaller force outlined in the previous Administration's defense strategy.

However, reality has not matched this "hope." U.S. forces have returned to Iraq to battle the Islamic State of Iraq and the Levant (ISIL), which has "become the most significant terrorist threat to the U.S. and our allies,"² spread globally, and inspired attacks on U.S. soil. U.S. forces remain in Afghanistan to counter Al Qaeda (which has been quietly rebuilding), ISIL, and other terrorist groups. Our European allies are no longer exporters of security, worried instead about Russia's illegal invasion of sovereign countries and use of subversive tactics across Europe.

¹ Testimony of General David H. Petraeus, USA, Ret, Former Director of the Central Intelligence Agency, before the House Armed Services Committee, "The State of the World: National Security Threats and Challenges", February 1, 2017.

² Testimony of Lieutenant General Vincent R. Stewart, USMC, Director of the Defense Intelligence Agency, before the House Armed Services Committee, "World Wide Threats", March 2, 2016.

China continues to build new military bases in the South China Sea, while the regime in North Korea continues to pursue nuclear weapons and deploy new, longer-range ballistic missiles that directly threaten the United States. Meanwhile, Iran remains the foremost state sponsor of terrorism, while continuing to develop longer-range ballistic missiles and harass U.S. naval vessels. Furthermore, the technological superiority and overmatch our Armed Forces have long enjoyed are eroding as our adversaries leverage technological advances and invest in new forms of warfare that exploit our vulnerabilities.

While the world has grown more dangerous, our military has grown smaller. As retired Army General Jack Keane testified last year, “[W]e have the smallest Air Force since 1947, and... the Navy will be retiring ships faster than they can be replaced... Alarming, for today’s defense budget we are fielding 35% fewer combat brigades, 53% fewer combat ships, 63% fewer combat aircraft squadrons...”³ The bipartisan National Defense Panel — which independently reviewed the previous Administration’s defense strategy articulated in the 2014 Quadrennial Defense Review — unanimously determined that the size of the military is “inadequate given the future strategic and operational environment.” It further observed that unless sequestration is reversed, the Department is on a path “to a high risk force.”⁴ Two years ago, even former Secretary of Defense Ashton Carter noted the FY16 budget request was “on the ragged edge of being able to satisfy all the ingredients of our strategy.”⁵

Declining Defense Funding

“An unintended consequence of current fiscal constraints is that the Army can no longer afford the most modern equipment, and we risk falling behind near-peers in critical capabilities. Decreases to the Army budget over the past several years significantly impacted Army modernization. Given these trends, and to preserve readiness in the short term, the Army has been forced to selectively modernize equipment to counter our adversary’s most pressing technological advances and capabilities. At the same time, we have not modernized for warfare against peer competitors, and today we risk losing overmatch in every domain.”⁶

Unfortunately, the trend line of defense funding is going in the wrong direction, which is having a direct impact on our country’s ability to address threats to our security, interests, and values, and to deter aggression from adversaries and rising regional powers.

In 2010, then-Chairman of the Joint Chiefs of Staff, Admiral Michael Mullen, famously observed, “The most significant threat to our national security is our debt.” While the first part of his quotation has been used to justify declining defense funding, the rest is often forgotten.

³ Testimony of John M. Keane, USA, Ret., before the Senate Armed Services Committee, “Emerging U.S. Defense Challenges and Worldwide Threats,” December 6, 2016.

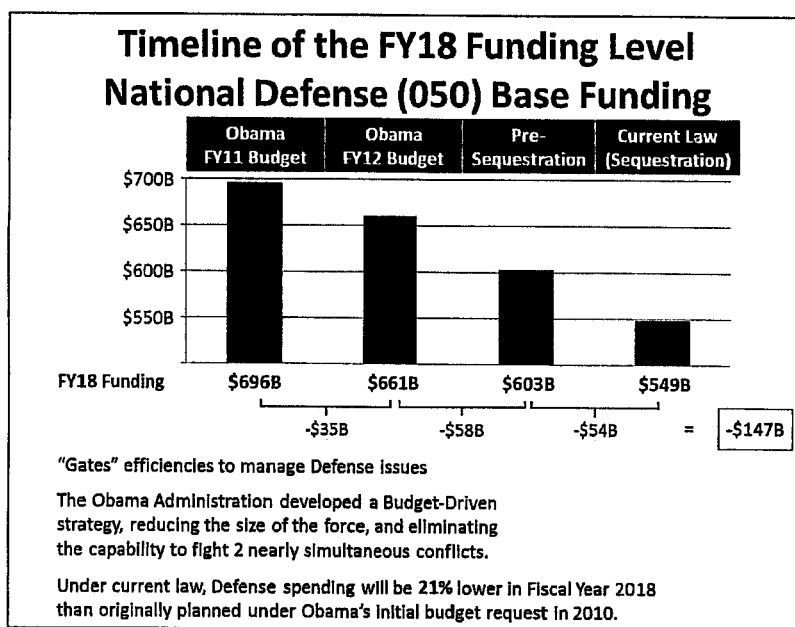
⁴ The National Defense Panel, “Ensuring a Strong U.S. Defense for the Future,” July 2014.

⁵ Testimony of Ashton Carter, Secretary of Defense, before the House Armed Services Committee, “The President’s Proposed Authorization for the Use of Military Force against ISIL and the Fiscal Year 2016 National Defense Authorization Budget Request from the Department of Defense,” March 18, 2015.

⁶ Testimony of General Daniel Allyn, USA, Vice Chief of Staff of the Army, before the House Armed Services Committee, “State of the Military,” February 7, 2017.

He went on to say, “And the reason ... is because the ability for our country to resource our military ... is going to be directly proportional ... [to] our economy. That's why it's so important that the economy move in the right direction, because the strength and the support and the resources that our military uses are directly related to the health of our economy over time.”⁷ Our committee Members agree that the debt is a threat to our security. But we see it through the lens that Admiral Mullen saw it – that the reason debt threatens our national security is that debt makes it more difficult to adequately fund the strong and agile military that is necessary for our nation’s defense. At the same time, the threats facing us around the world and here at home will not wait for us to get our fiscal house in order. We certainly cannot wait to provide the men and women who serve our nation with the best, most modern, and safest equipment possible.

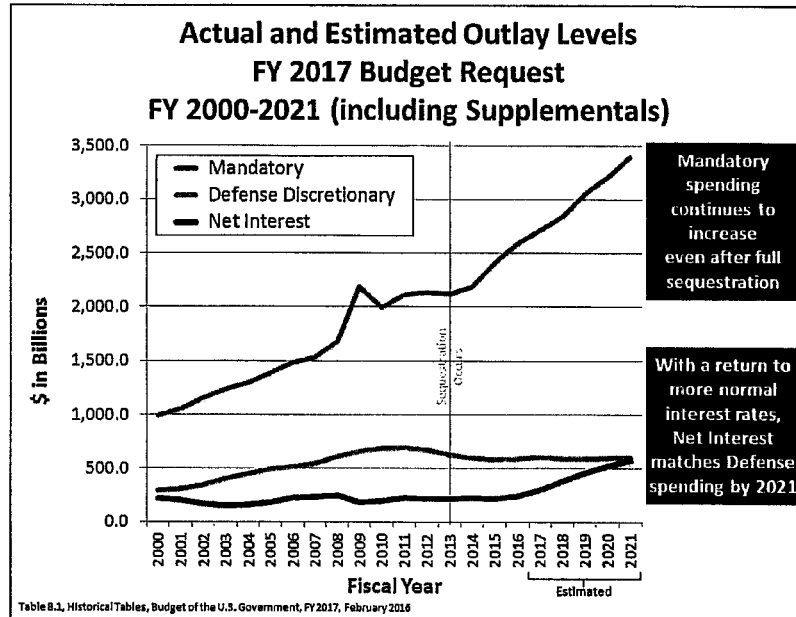
Clearly, Admiral Mullen was not suggesting that we should fix the national debt on the backs of the men and women who volunteer to serve our nation. Under sequestration, national defense spending decreased 21 percent in FY18, when compared with the level projected for FY18 in the outyear budget documentation submitted in February 2010 under President Obama’s first budget request. The chart below depicts the incremental reduction in funding for national defense since that time and the corresponding changes to our National Defense Strategy.



Any sober assessment of the last eight years would conclude that cutting resources for national defense has neither controlled the debt nor made us safer. The following chart displays the recent outlays for mandatory and defense discretionary spending, as well as the actual and estimated net interest payments required since fiscal year 2000. Sequestration level funding for national defense will not significantly change the rate of growth in mandatory spending, while

⁷ <http://www.cnn.com/2010/US/08/27/debt.security.mullen/>

net interest outlays continue to grow. In fact, our spending to service the debt is projected to match defense discretionary spending by 2021.



As Members of the Committee on Armed Services, we support bold policies to invigorate our economy and properly fund our national defense. These are not mutually exclusive.

Assessing National Defense Capabilities

Unfortunately, as a result of the increased threat to national security and our commensurate military drawdown, there is a significant gap between what the American people expect the military to be able to do and what it actually could do effectively if called upon today. Much of the funding provided to the Department of Defense has been consumed by current operations and to keep the next to deploy forces ready. We have allowed other capabilities to atrophy, capacity to shrink, and the readiness of forces training at home station to suffer. Our assessment is shared by the Service Chiefs and outside analysts. For example, General Milley, the Chief of Staff of the Army testified:

“Right now the readiness of the United States Army, all components of the United States Army, is not at a level that is appropriate for what the American people would expect to defend them.”⁸

⁸ Testimony of General Mark A. Milley, USA, Chief of Staff of the Army, before the House Armed Services Committee, “The Fiscal Year 2017 National Defense Authorization Budget Request from the Military Departments,” March 16, 2016.

What does this mean? The “2017 Index of U.S. Military Strength” published by the Heritage Foundation captures it concisely:

“In aggregate, the United States’ military posture is rated as “Marginal” and is trending toward “Weak,” a condition unchanged from the 2016 Index.

“Overall, the 2017 Index concludes that the current U.S. military force is capable of meeting the demands of a single major regional conflict while also attending to various presence and engagement activities—something it is doing now and has done for the past two decades—but that it would be very hard-pressed to do more and certainly would be ill-equipped to handle two nearly simultaneous major regional contingencies. The consistent decline in funding and the consequent shrinking of the force over the past few years have placed it under significant pressure. Essential maintenance continues to be deferred; the availability of fewer units for operational deployments increases the frequency and length of deployments; and old equipment is being extended while programmed replacements are either delayed or beset by developmental difficulties.

“The military services have continued to prioritize readiness for current operations by shifting funding to deployed or soon-to-deploy units at the expense of keeping units that are not deployed in “ready” condition; delaying, reducing, extending, or canceling modernization programs; and sustaining the reduction in size and number of military units. These choices and their resulting condition, driven by the lack of funding dedicated to defense, hazard America’s ability to secure its interests now and erode America’s ability to shape conditions to its advantage by assuring allies and deterring competitors.

“As currently postured, the U.S. military is only marginally able to meet the demands of defending America’s vital national interests.”⁹

Service Chiefs seem to agree with this assessment. General Milley went on to say:

“If one or more unforeseen contingencies happen then the United States Army currently risks not having ready forces available to provide flexible options to our national leadership...And most importantly we risk incurring significantly increased U.S. casualties.”¹⁰

Below is our assessment of the near-term gaps in the U.S. military in critical capability areas.

⁹ 2017 index of U.S. Military Strength; Assessing America’s Ability to Provide for the Common Defense”, The Heritage Foundation, October 2016. <http://index.heritage.org/military/2017/>

¹⁰ Testimony of General Mark A. Milley, USA, Chief of Staff of the Army, before the Senate Armed Services Committee, “Posture of the United States Army,” April 7, 2016.

Air Dominance

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

Significantly, U.S. ground forces assume air dominance will exist when contemplating operations. Indeed, since the end of the Cold War, the United States has benefited from air dominance in all our military engagements. However, as one considers future contingencies beyond the counterterrorism fight, air dominance is no longer assured – or even likely. Near-peers are closing the technology and capability gaps; we are seeing proliferation of highly sophisticated and advanced integrated air defense systems even among nations that are not near-peer competitors. At the same time, the United States' capacity, capability, and readiness of our tactical air forces is shrinking.

“The impact of reduced funding levels on our depot level maintenance capacity still resonates today. We have temporarily reduced the number of aircraft assigned to our fighter-attack and heavy lift squadrons. We simply do not have the available aircraft to meet our squadrons' requirements. This means that flight hour averages per crew per month are below the minimum standards required to achieve and maintain adequate flight time and training and readiness levels.”¹¹

LtGen Jon M. Davis, the Assistant Commandant of the Marine Corps for Aviation, echoes these remarks. As the Marine Corps Times recently reported, “The Marine Corps has not met its goal for flight hours since 2012, and that means Marine pilots today are not trained to the level they need to be, he [Davis] said. ‘They’re flying safe airplanes; they personally are safe; but their proficiency and experience at dealing with things that go wrong is not where it needs to be,’ Davis said.” Sadly, this condition may be borne out by the number of aviation mishaps occurring across the services. For example, in all of fiscal year 2016, the Marine Corps had eight major mishaps. In the first quarter of fiscal year 2017 alone, the Marine Corps has already suffered seven. Less severe aviation incidents have also spiked.

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

“Today we find ourselves less than 50 percent ready across our Air Force and we have pockets that are below that.”¹²

¹¹ Testimony of General Glenn Walters, USMC, Assistant Commandant of the Marine Corps, before the House Armed Services Committee, “State of the Military,” February 7, 2017.

¹² Testimony of General Stephen W. Wilson, USAF, Vice Chief of Staff of the Air Force, before the House Armed Services Committee, “State of the Military,” February 7, 2017.

Adm. William Moran, the Vice Chief of Naval Operations, says that more than half of all Navy aircraft are grounded because they're awaiting maintenance or lack needed spare parts. The figure is even higher for the service's front line F/A-18 fighter jets.

In order to mitigate these threats and challenges we must continue to build capacity in the near-term for tactical fighter aircraft inventories, while simultaneously increasing investment in 5th generation strike fighters that will be capable of penetrating enemy air defenses. The Air Force, Navy, and Marine Corps all have large unfunded requirements for 4th generation and 5th generation tactical strike fighters. Refusing to address these unfunded requirements will create high risk in future conflict.

As to U.S Air Force projection forces, we continue to employ bombers that were designed and constructed for World War II. Our tanker forces are only slightly newer, having been designed and constructed in the 1950s. The U.S. Air Force has been able to sustain these forces but maintenance costs are steadily increasing. Fortunately, industry is prepared to rapidly respond and replace our bombers and tankers. With reliable funding, the new Long Range Strike Bomber (B-21), currently in development, will begin to enter the inventory in the next few years. In addition, the first deliveries of KC-46A tanker aircraft will begin later this year.

Ground Forces

*"Our Army requires modernized equipment to win decisively, but today we are outranged, outgunned and outdated. We have prioritized our near-term readiness to the detriment of equipment modernization and infrastructure upgrades, assuming risk and mortgaging our future readiness."*¹³

General Daniel Allyn, the Vice Chief of Staff of the Army, has also testified, "only three of 58 ready BCTs [Brigade Combat Teams] are considered ready to 'fight tonight'." Ongoing and emerging missions have kept operations at elevated levels, while end strength cuts have reduced available forces to support these operations. Additional funding is critically needed to grow the Army and Marine Corps. Otherwise, our ability to rapidly and successfully respond to future contingencies remains at risk. Growing endstrength is a complex endeavor that will take 5-10 years. This is why it is critical to continue responsible end strength increases in FY18. Otherwise, the U.S. Army and Marine Corps will continue to lose their competitive advantages in high-end combat. The ability to achieve ground combat overmatch through superior combined arms maneuver warfare is being challenged by near-peer and peer competitors who are developing capabilities and techniques specifically designed to counter areas of U.S. ground force advantage. Additional funding in FY18 would allow the Army to accelerate the repositioning of modernized equipment to Europe, grow a new Armored Brigade Combat Team, and build a new combat aviation brigade in Europe. If left unfunded then this would greatly impact the credibility of the U.S. deterrence posture in Europe against further Russian aggression along NATO's eastern flank.

¹³ Testimony of General Daniel Allyn, USA, Vice Chief of Staff of the Army, before the House Armed Services Committee, "State of the Military," February 7, 2017.

Naval Presence

*"[O]ur shipyards and aviation depots are struggling to get our ships and airplanes through maintenance periods on time. In turn, these delays directly impact the time Sailors have to train and hone their skills prior to deployment...It has become clear to me that the Navy's overall readiness has reached its lowest level in many years."*¹⁴

The ability of the U.S. Navy to sustain a very high operating tempo in the face of a diminishing force structure has reduced the availability of the U.S. Navy to maintain a forward presence to deter war and defeat potential adversaries. Combatant commanders have persistently demanded naval forces. Consequently, ships have been kept on station longer than normal. For example, the fight against ISIL in 2016 led the Navy to extend the deployments of the Harry S. Truman and Theodore Roosevelt Carrier Strike Groups to eight and eight and a half months, respectively. Similar extensions apply to the Amphibious Ready Groups, which support Marine Expeditionary Units. These extensions come at a cost, however, in terms of increased wear and tear on ships, aircraft, and crews - adding to the downward readiness spiral. These deployments have also decreased the time available for maintenance and modernization. We believe the American public would be alarmed to know that the U.S. lacks the capacity to keep an aircraft carrier in the Middle East. Sometimes no carrier is available. Moreover, the pressing need to maintain aircraft carriers to return them to service means that our nuclear qualified shipyards lack the capacity to maintain our attack submarines. The result is that otherwise deployable submarines are now tied up pier-side where they will wait for years to return to service. The average amount of repair and maintenance work for ships in private shipyards is exceeding projections by 35 percent.

This pace of operations will continue to debilitate naval readiness. An aggressive effort to address existing flying hours for our pilots and steaming hours for our sailors is necessary to ensure naval forces are successful during deployment. Addressing current readiness challenges needs to be concurrently supported by an increase in future readiness and specifically additional naval force structure and manpower.

Munitions

*"Key precision guided munitions shortfalls are exacerbated by ongoing operations and may impact potential contingency response. Additionally, our current global inventories are insufficient for theater missile defense, standoff, and air-to-air munitions needs."*¹⁵

Our stocks of precision guided munitions and other critical munitions have been depleted. The military services have significant unfunded requirements for replacement ammunition and

¹⁴ Testimony of Admiral William F. Moran, USN, Vice Chief of Naval Operations, before the House Armed Services Committee, "State of the Military," February 7, 2017.

¹⁵ Testimony of General Joseph Dunford, Chairman of the Joint Chiefs of Staff, before the House Armed Services Committee, "The Fiscal Year 2017 National Defense Authorization Budget Request from the Department of Defense", March 22, 2016.

munitions. Further, the committee has concerns regarding the sustainment of the munitions industrial base. In many cases, there is only a single source for an item and the Department has been unable to improve capacity. After five years of sequestration and continuing resolutions, the military services have been severely limited in what they can reasonably afford regarding munitions modernization and in building capacity in current munition inventories. The military has been living off modifications to existing systems, there have been few competitive opportunities, and constrained resources have limited innovation. Failing to address these unfunded requirements in FY18 would prevent replenishment of war reserve stocks, and prevent increases in production capacity for munitions such as Hellfire missiles, JDAMs, and small diameter bombs. In most cases, lead times for these critical munitions can be as long as 18 months, so it remains critical that we start increasing investment in these program areas now.

Maintaining the "Golden Hour"

As a result of the long fight in regions where U.S. forces maintained air superiority and freedom of air and sea navigation, the American public has come to expect that wounded service members have over a 90 percent survival rate when reaching level 2 medical care within the first critical "golden hour" after injury. Consequently, the United States has had far fewer combat related deaths in the last 15 years than in any previous conflict. The unfortunate corollary is that the availability of deployable medical assets, with the capability to sustain casualty treatment over a protracted period of time, has been severely eroded. In a near-peer conflict, the ability to move casualties rapidly through the treatment/evacuation system, where each level of the system provides increasingly robust medical care, will be dependent on the conditions on the ground at both the sending and receiving localities. Alternatively, U.S. forces could rely on host-nation medical support; however, in a major ground fight civilian casualties are highly likely, which may result in prioritization of civilian medical assets to civilian casualties.

Consequently, U.S. forces will require organic medical equipment sets, deployable infrastructure and medical and support personnel to provide sustained casualty care. Medical personnel will require additional training to increase their capability to provide static care for longer periods. Currently, the military services recognize that they lack these assets and are working to fill the gaps. However, many of the deployable assets that were designed to handle near-peer combat casualty requirements have been phased out and replacement time-lines are well into the future.

Without the funding to procure deployable equipment sets and infrastructure and necessary personnel and relevant training, U.S. forces will be unable to maintain the casualty care and survival rates the Nation has come to expect from the military medical system.

Increase Training Pipelines

“Today, only about 1/3 of our BCTs, 1/4 of our Combat Aviation Brigades and half of our Division Headquarters are ready.”¹⁶

Even if Congress were to provide the funds necessary to stop the reduction in end-strength of the military services, the services would still be forced to shed personnel unless funds were also increased for the services’ training pipelines. A failure to fund these training pipelines would significantly hamper the services’ recruiting efforts and have a continuing negative impact on the ability of the services to increase the readiness of all their units.

Facilities Sustainment

“Meanwhile, our shore infrastructure has become severely degraded and is getting worse because it has been a repeated bill payer for other readiness accounts in an effort to maintain afloat readiness. Consequently, we continue to carry a substantial backlog...”¹⁷

Additional funding to sustain and recapitalize facilities in FY18 is essential. Absent immediate additional funding to operation and maintenance and military construction (MILCON) accounts, our piers, runways, mission-critical training facilities and quality of life functions will erode to the point of mishaps, serious injury and health hazards to personnel. According to recent statements from all four Vice Chiefs, the readiness of our operating forces has been severely compromised due to degraded, inadequate, and failing infrastructure and facilities. Recent budget shortfalls have forced the services to reduce funding in facilities sustainment, restoration, modernization, and MILCON accounts to the point of extreme risk for mission failure. Proposed increases in demolition funding are essential to replacement of aging infrastructure and unneeded buildings, enabling the services to focus their limited sustainment funding on enduring facilities. This will save money in the near-term by reducing the extraordinary backlog of facility maintenance and repair across the services. As these investments are delayed, the future corrective actions become exponentially more costly.

Nuclear Arsenal and Deterrent

“While our nuclear forces remain safe, secure, and effective, we will eventually require significant investment to ensure robust, reliable, flexible, and survivable nuclear readiness and deterrence well into the future.”¹⁸

¹⁶ Testimony of General Daniel Allyn, USA, Vice Chief of Staff of the Army, before the House Armed Services Committee, “State of the Military,” February 7, 2017.

¹⁷ Testimony of Admiral William F. Moran, USN, Vice Chief of Naval Operations, before the House Armed Services Committee, “State of the Military,” February 7, 2017.

¹⁸ Testimony of General Stephen W. Wilson, USAF, Vice Chief of Staff of the Air Force, before the House Armed Services Committee, “State of the Military,” February 7, 2017.

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

Defending National Security Space

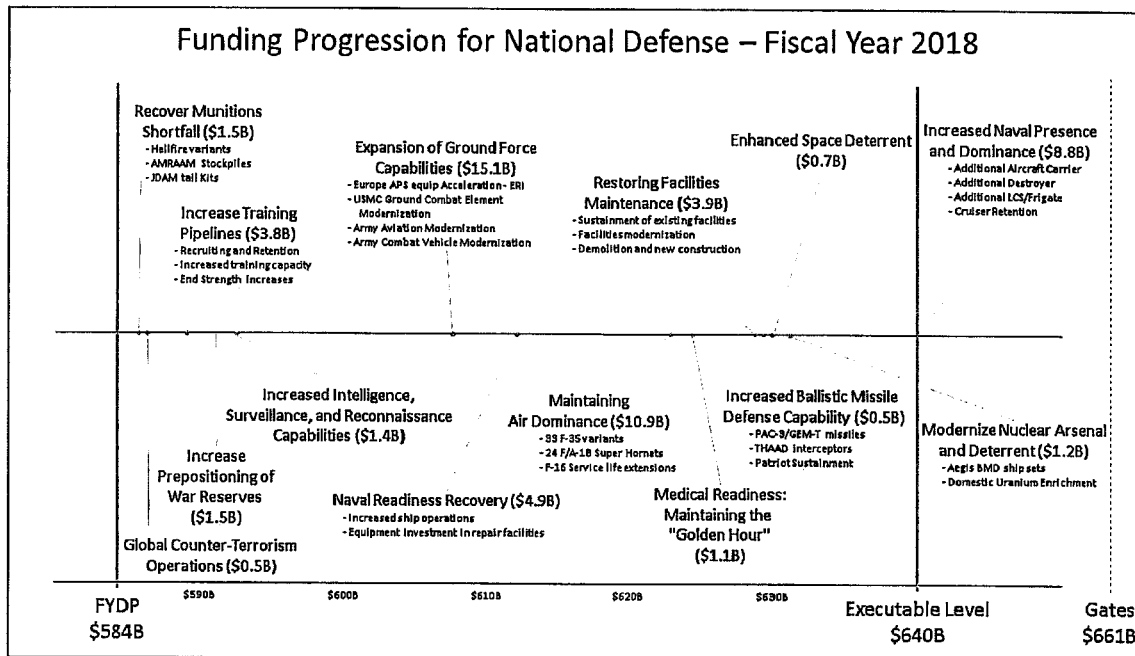
“The national security space enterprise, which evolved in an uncontested environment, is not resilient enough to deliver joint warfighting effects in and through today’s contested space domain.”¹⁹

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

Discretionary Funding Required for Fiscal Year 2018

The previous administration estimated that \$584 billion in base funding in FY18 was required to execute the national security mission set. Given the numerous capability gaps we have encountered in our oversight - through hearings, briefings and travel - we believe the readiness shortfalls must be rectified as soon as possible to prevent further degradation. This process will take time and additional resources, but must still be done in a fiscally responsible manner. A start to this recovery should begin in FY18 with an increase in topline of \$56 billion above the previous Future Years Defense Plan (FYDP). This level of funding does not cover all requirements necessary for the upcoming fiscal year, but \$640 billion is a level of funding executable by the Department. The breakdown of the additional funding is as follows:

¹⁹ Testimony of General Stephen W. Wilson, USAF, Vice Chief of Staff of the Air Force, before the House Armed Services Committee, “State of the Military,” February 7, 2017.



While we describe executable funding levels in 2018, we note that it will take years to address the shortfalls in national defense. While there has been a discussion about an amended budget request for FY17, any such budget amendment would focus on current contingency operations and reversing short-term operational readiness issues. It would not reduce the significant equipping and modernization requirements facing the military and nuclear security enterprise. Therefore, our recommendation for national defense funding for FY18 is independent of any amended budget request for FY17.

As stated previously, we understand the Administration is contemplating an FY18 budget request for national defense of \$603 billion, or 3.2% above President Obama's FYDP. If the President and Congress determine that this lesser amount is acceptable, we must be clear about which of these investments we are choosing not to fix, as well as the risk to U.S. national security risk and to the lives of those who serve.

Committee Legislative Activities

The primary legislative vehicle of the Committee on Armed Services is the National Defense Authorization Act (NDAA). The NDAA contains all the essential authorities required to sustain our military and is the chief mechanism through which Congress exercises its Article I, Section 8 responsibilities. The importance of this legislation has ensured that for 56 consecutive years this bill has been signed into law. We intend to do the same again this year and, working with our partners in the Senate, our goal is to file and pass a conference report before the end of the current fiscal year. As we develop our next NDAA in 2017, the committee will continue the practice of conducting a significant number of hearings, briefings, and roundtable discussions in order to better understand the current security environment, evaluate proposals for reform, and

receive independent feedback on the military requirements necessary to support a robust strategy.

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

- Military compensation and retirement reform to put these programs on fiscally responsible paths;
- Military healthcare reform that improves medical readiness, and expands access while ensuring a sustainable benefit;
- Defense commissary system reform to preserve the benefit, while also reducing reliance on appropriated funds;
- Uniform Code of Military Justice (UCMJ) reform—the most comprehensive in 30 years—that modernizes the UCMJ to improve efficiency and transparency, while also enhancing victims' rights;
- Acquisition reform to get technology to the warfighter faster and more efficiently;
- Manpower reform, including reductions in overhead, in flag officers, and in the number of civil servants; and
- Organization and management reform that increases accountability, oversight, integration, and strategic thinking within the Department of Defense.

This year, the committee plans to file its third stand-alone acquisition reform bill in April focused on defense contracting, data transparency, and contract auditing reform, with the intent to incorporate the reforms into the FY18 NDAA.

A responsive, healthy organization must also be able to do self-assessment. For more than 20 years, the Comptroller General of the United States has consistently identified the financial management of the Department of Defense as a high-risk area. The Department's inability to track and account for billions of dollars in funding and tangible assets continues to undermine its management approach. It also creates a lack of transparency that significantly limits congressional oversight. The Department's inability to produce auditable financial statements undermines its efforts to reform defense acquisition and to realize efficiencies. Without these objective tools, neither the Department nor Congress can verify that greater value is being created. As a result, it was this committee that mandated the Department implement the Financial Improvement and Audit Readiness plan in the National Defense Authorization Act of 2010 (Public Law 111-84). We will continue to conduct rigorous oversight of its progress as it moves to accomplish auditable financial statements by September 30, 2017.

Mandatory Spending – “Widow’s Tax”

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

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

If the survivor of a military retiree is also eligible for and receives DIC, the SBP payment is reduced dollar for dollar by the DIC amount. This reduction of SBP is commonly known as the "Widow's Tax".

The committee, whenever possible, has attempted to bridge the gap. These gap payments are known as the Special Survivor Indemnity Allowance (SSIA). Since the FY 2009 NDAA, monthly SSIA stipends have been authorized in an attempt to make up the loss of reduced SBP payments, but not to the full extent. The average reduction of SBP due to the DIC entitlement is approximately \$1,250; however, the SSIA stipends have ranged from \$50-\$310. Additionally, this stipend is set to expire in May 2018 (due to an 8-month extension in the FY 2017 NDAA).

There is bipartisan support to enact a repeal of this "Widow's Tax". As you know, you and Ranking Member Yarmuth (and more than 200 other members) cosponsored the Military Surviving Spouses Equity Act (H.R. 1594) in the last Congress. Repeal of the offset is currently estimated to cost approximately \$10 billion in mandatory spending over the next 10 years. As you are aware, our total mandatory spending within O50 falls below this amount per year, so we would like to work with you to increase direct spending levels for the committee to resolve this issue.

Summary

As you requested, this letter outlines the committee's legislative priorities and the level of resources required to implement those priorities for fiscal year 2018. A discretionary funding level of \$640 billion in fiscal year 2018 for the base budget begins to reverse the downward force readiness trends highlighted by our top military advisors, while remaining fiscally responsible - ensuring the funds provided are necessary and executable. In addition, increased funding to support the "Widow's Tax" would correct the disconnect in survivor spouse compensation that we simply cannot correct without your assistance.

In closing, we appreciate the opportunity to express these views on behalf of the Committee on Armed Services. We look forward to working with you and the members of the

The Honorable Diane Black
March 3, 2017
Page 16


Committee on the Budget to construct a budget plan that reflects our commitment to meet emerging threats and secure our national defense.

Sincerely,

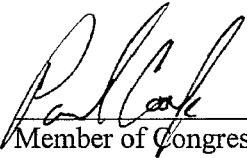
A handwritten signature in black ink, appearing to read "Mac Thornberry". The signature is fluid and cursive, with the first name "Mac" written in a larger, more prominent script than the last name "Thornberry".

William M. "Mac" Thornberry
Chairman

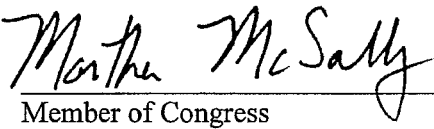
cc: The Honorable John Yarmuth, Ranking Member, Committee on the Budget




Member of Congress



Member of Congress



Member of Congress



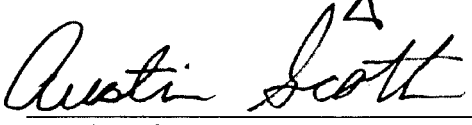
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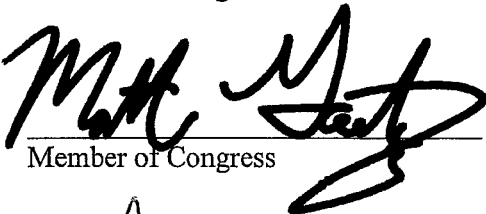
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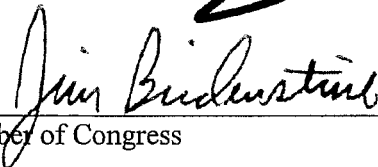
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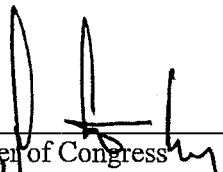
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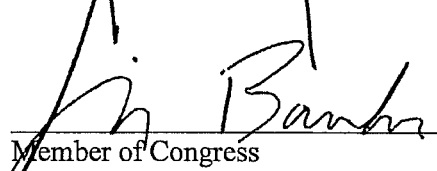
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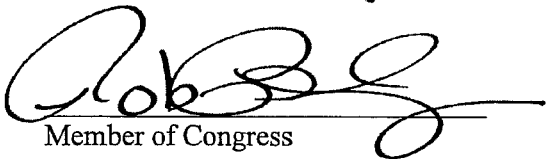
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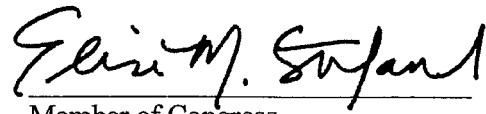
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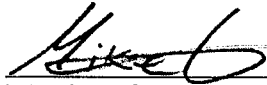
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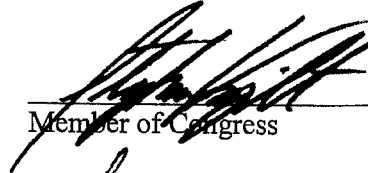
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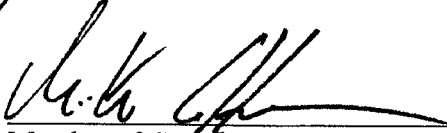
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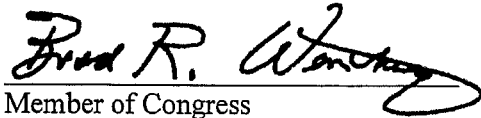
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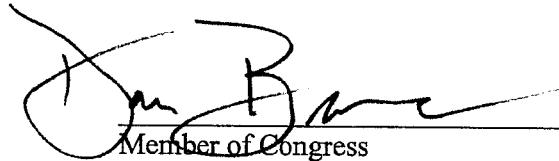
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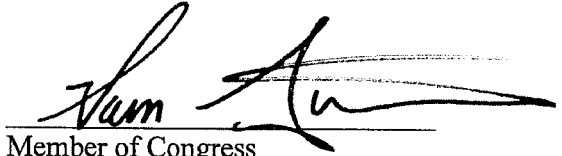
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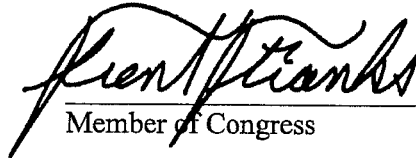
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