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## United States Senate

COMMITTEE ON ARMED SERVICES

WASHINGTON, DC 20510-6050

RICHARD D. DEBOBES, STAFF DIRECTOR  
JOHN A. BONSELL, MINORITY STAFF DIRECTOR

March 1, 2013

Honorable Patty Murray  
Chairman  
Committee on the Budget  
United States Senate  
Washington, D.C. 20510

Honorable Jeff Sessions  
Ranking Member  
Committee on the Budget  
United States Senate  
Washington, D.C. 20510

Dear Patty and Jeff:

In accordance with your request, we are forwarding our recommendations for the FY 2014 budget resolution. As you know the Department of Defense faces an unprecedented level of fiscal uncertainty. Congress has not completed action on FY 2013 appropriations, the government is operating under a continuing appropriations resolution that expires on March 27, and the FY 2014 budget has been delayed. Additionally, discretionary accounts face sequestration starting on March 1. Sequestration is expected to increase the cost of defense programs, placing additional demands on the DOD budget in the long run. We urge our colleagues to support passage of full-year FY 2013 appropriations as well as legislation that would eliminate sequestration in FY 2013.

Normally, the Committee would use the President's budget submission as the starting point for developing our recommendations for the FY 2014 budget resolution. While we do not have a 2014 request the Committee notes that last year's budget, submitted to the Congress on February 13, 2012, projected \$579.7 billion in discretionary budget authority for the Department of Defense in FY 2014. This total included \$535.5 billion for the base budget and \$44.2 billion for overseas contingency operations. The budget request also projected \$17.2 billion for defense programs in the Department of Energy in FY 2014. Last year's budget request, together with the out-year budget projections, was developed pursuant to a new defense strategy released in January 2012. We anticipate that meeting our national security requirements and providing for our men and women in uniform and their families will require the FY 2014 National Defense discretionary and mandatory budget projections that were included in last year's budget submission. We recommend that the budget resolution for fiscal year 2014 include the projected amounts of budget authority and the associated outlays (subject to any technical revisions by the Congressional Budget Office) for national defense.

If sequestration is implemented over the next seven months, it will impose significant long-term costs on the Department of Defense to recover acceptable readiness levels and carry out the national military strategy. Accordingly, if Congress is unable to enact legislation avoiding sequestration, we recommend that the base budget for the Department of Defense be increased by two to three percent to enable the Department to address these problems. If such legislation is enacted, the increase in funding will not be necessary.

The committee recognizes the requirement pursuant to section 411 of the fiscal year 2010 budget resolution that directed Committees to review programs in their jurisdictions to eliminate waste, fraud, and abuse, and to include recommendations for improving government performance. Last year, the Committee was responsible for the enactment of the FY 2013 National Defense Authorization Act (NDAA) which reduced the authorization levels for the Department of Defense and the national security functions of the Department of Energy by \$29 billion when compared with the levels authorized in FY 2012.

The FY 2013 NDAA included a number of cuts to the President's budget request. For example, the FY 2013 NDAA: cut more than \$660.0 million from the President's budget for military construction and family housing projects; prohibited the obligation or expenditure of FY 2013 funds for the Medium Extended Air Defense System eliminating a \$400.9 million expenditure; cut \$200.0 million from the Commander's Emergency Response Program; cut \$197.0 million from Army and Marine Corps' ammunition procurement accounts; cut \$190.0 million for the Joint Tactical Radio System; cut \$175.0 million from excess unobligated balances; and cut \$77.1 million from the request for development of the KC-46A aircraft program.

In addition, the FY 2013 NDAA included a number of provisions to improve defense contracting and reduce waste in the operations of the Department of Defense. For example, the legislation:

- Requires the Secretary of Defense to implement a plan to rebalance and reduce the DOD civilian employee workforce and service contractor workforce, achieving a savings of 5 percent in each workforce over a 5-year period while providing the Secretary flexibility to exclude critical elements of the workforce and to phase in reductions.
- Improves the cost-effectiveness of DOD contracting by strictly limiting the use of cost-type contracts for the production of major weapon systems; enhancing protections for contractor employee whistleblowers; restricting the use of "pass-through" contracts; and clarifying DOD access to contractor cost- and price- information.
- Strengthens the authority of the senior DOD official responsible for developmental testing on major defense acquisition programs.
- Restricts the use of "pass-through" contracts by requiring a contracting officer determination to support any contract on which more than 70 percent of the work will be performed by subcontractors.

- Requires DOD to review its existing profit guidelines and revise them as necessary to ensure an appropriate link between contractor profits and contractor performance.
- Requires DOD and other agencies to conduct risk assessments and take steps to mitigate significant risks associated with contractor performance of critical functions in support of overseas contingency operations.
- Requires DOD and other agencies to establish clear chains of responsibility for key acquisition functions in support of overseas contingency operations.
- Added funds to support the DOD Corrosion Prevention and Control program. DOD estimates that corrosion in military equipment costs the Services over \$22.0 billion per year; expenditures in this area have yielded an estimated 14:1 return on investment by reducing the bill for repair and replacement of corroded systems and parts.
- Added funds to support the DOD Inspector General (IG), to enable the IG to continue growth designed to provide more effective oversight and help identify waste, fraud, and abuse in DOD programs, especially in the area of procurement. DOD IG reviews resulted in an estimated \$2.6 billion savings in FY11 – a return on investment of \$8.79 for every \$1 spent.

The committee will continue to develop recommendations to improve the efficient management of taxpayer funds, including identifying additional savings across the full range of defense programs.

The Committee notes that last year the Department of Defense submitted a program that included \$487 billion in budget cuts over ten years. The Secretary of Defense has testified that the additional cuts required by sequestration would be devastating to defense programs and would require a new strategy with an unacceptable degree of risk to our national security. The Chairman of the Joint Chiefs of Staff has also stated that the military cannot absorb such cuts without direct impacts to missions and capabilities. We agree with these assessments and urge the Budget Committee to develop a plan that avoids sequestration.

At this time, absent receipt of the FY 2014 budget request, we believe that the funding levels we are recommending will allow us to meet our current national security requirements. We may wish to amend our recommendations after receipt of the budget request and we look forward to working with you to create a budget that supports our national security.

Sincerely,



James Inhofe  
Ranking Member



Carl Levin  
Chairman