

Views and Estimates on the Fiscal Year 2008 Budget

Committee on Oversight and Government Reform

United States House of Representatives

Each standing Committee of the House is required by the Congressional Budget Act of 1974 and Rule X, clause 4(f) of the Rules of the House to submit to the Committee on the Budget its views and estimates on the budget with respect to matters within its jurisdiction or functions. The following list is not exhaustive, but highlights the views of the Committee on some of the issues addressed in the President's fiscal year 2008 budget that are within the scope of the Committee's jurisdiction.

Office of Government Ethics

The Committee intends to consider legislation to reauthorize the Office of Government Ethics (OGE), an independent executive branch agency charged with giving overall direction to policies designed to prevent conflicts of interest and ensure high ethical standards for federal employees. OGE's authorization expires at the end of fiscal year 2007. The Committee recently ordered reported a bill (H.R. 984, the Executive Branch Reform Act of 2007) which would place significant new requirements on the Office and thus, the Office may require additional resources. As the Committee works to move legislation reauthorizing OGE it may increase the level of authorization in order to account for these new requirements.

Federal Property Reform

The budget request includes suggested legislative language to create a pilot program for the disposal of federal real property. There are genuine, costly, and pressing problems in the way the federal government manages its public buildings and lands. Unneeded and under-used buildings are in the federal inventory. Some buildings are literally falling apart. Accurate data on federal real property is hard to obtain from agencies, and expensive leasing of office space is too often the quick answer.

One problem with the provision in the President's budget on federal property reform (sec. 835) is that it would waive critical provisions of law designed to ensure sound management of federal property and allow state and local government, and providers of assistance the homeless, to purchase federal property in certain circumstances at a discount. Any final legislation creating a pilot program for the disposal of federal real property must include these important protections.

The pilot program suggested in the President's budget would waive provisions of law that give state and local governments an opportunity to use surplus federal properties at a discounted price. Under current law, state and local governments can receive surplus federal property at discounts of up to 100% for certain public benefit purposes. The U.S. Conference of Mayors opposes waiving this provision of law, because the mayors know how important these discounts can be to local communities. The Conference and many national homeless groups also oppose

waiving the requirement that homeless provider uses be considered prior to the disposal of property. In addition, under current law, agencies with excess property must make it available first to other federal agencies that may have a need for it. This requirement is sound management practice and should also be retained.

Federal Energy Management

The Committee is pleased that in his seventh State of the Union speech, President Bush appealed to the American people to help “confront the serious problem of global climate change” by reducing the nation’s oil consumption and greenhouse gas emissions. As the federal government is the largest single user of energy in the United States, improving the government’s energy efficiency can produce substantial energy savings. The federal government also can play an important role in addressing this issue both by demonstrating the potential for improved energy efficiency in many applications, and by increasing market demand for more efficient products, which helps producers achieve economies of scale and lower prices. Recently, the need for federal energy savings has become more urgent in light of higher energy costs, a growing awareness of global climate change, and increasing energy security concerns.

Both Congress and the executive branch have called for enhancing the federal government’s energy efficiency. Congress set goals to reduce energy consumption in federal buildings in the Energy Policy Act of 2005 (EPAAct). EPAAct calls for a steady reduction in energy use in federal buildings beginning in FY 2006 at a rate of 2% per year, resulting in a projected 20% reduction below 2003 energy use on a per square foot basis by FY 2015. Under EPAAct, the Federal Energy Management Program (FEMP) is responsible for assisting federal agencies in complying with energy efficiency standards through technical and financial assistance. On January 26, 2007, President Bush issued Executive Order 13423, which calls for increased efficiency in new construction of and renovations to federal buildings, a reduction of fuel consumption in federal vehicles, and an increase in utilization of renewable fuels in federal vehicle fleets for agencies with fleets larger than 20 vehicles.

While the Committee welcomes the Administration’s stated goal of decreasing energy consumption by the federal government, the Committee is concerned that the President’s budget request does not sufficiently support these federal goals. The President requests \$16.791 million for FEMP in FY 2008, continuing a downward trend in funding for the program. This request is 1% less than requested by the Administration last year and 37% below FY 2002 levels when adjusted for inflation. Additionally, the Administration’s budget proposes to increase FEMP’s workload by assuming responsibilities previously held by the Offices of FreedomCAR, Vehicle Technologies, and Building Technologies. Despite these additional responsibilities, the budget request for the relevant line item of Planning, Reporting, and Evaluation is reduced by 5%.

The Committee is concerned that the Administration is proposing both additional duties and reduced funding for FEMP. The Administration has not demonstrated that FEMP can achieve its mission when funded at the current level. The proposed budget cuts to FEMP in FY 2008 may hinder efforts to achieve goals in both EPAAct and Executive Order 13423.

Program Assessment Rating Tool (PART)

The President's budget for Fiscal Year 2008 again includes information on the Program Assessment Rating Tool (PART). This assessment, conducted by the Office of Management and Budget (OMB) in consultation with the agencies responsible for a specific program's operations, raises a number of issues which cause concern. Although the President's budget claims that PART uses a "consistent methodology," we do not believe the methodology used accurately measures the effectiveness of programs.

We are concerned that the PART process is used by OMB to criticize congressional actions in authorizing programs that the White House does not support. Such disagreements in priorities do not truly reflect whether a program is effective or not. For example, independent auditors from the Government Accountability Office (GAO) and the HUD Inspector General, as well as research institutions such as the Urban Institute and Brookings Institute, have found the HOPE VI federal housing program to be effective, yet OMB rates this program as ineffective under PART.

Moreover, the PART process is not transparent. OMB, part of the Executive Office of the President, makes the final determination of which performance measures are used to determine effectiveness, and there is no opportunity for Congress and other stakeholders to recommend alternative performance measures that may measure results more accurately. A period for public notice and comment on which programs are going to be reviewed, and what criteria will be used to review them, would increase the transparency and accountability of this assessment process.

In summary, Congress should be skeptical that OMB's assessments are neutral measures of the effectiveness of federal programs that should guide funding decisions.

Sunset and Results Commissions

The President's budget renews its recommendation that Congress establish sunset and results commissions. The Committee does not support these proposals, which would jeopardize federal agencies and programs and inappropriately transfer power from Congress to the executive branch.

The President's proposal to establish a sunset commission would threaten every federal agency and program. This proposal would require every federal agency and program to be reviewed on a ten-year schedule. Under this proposal, every federal agency would be automatically terminated within 12 years unless Congress affirmatively acts to extend or reauthorize the agency or program.

Although the legislation proposed by the Administration contemplates certain exemptions, the Committee does not believe those exemptions are sufficient or clear. For example, the Administration would exempt certain type of regulations but not the programs that implement those regulations.

The President's results commissions proposal would authorize the President to establish multiple results commissions to review Administration proposals to restructure or consolidate agency programs. Congress would then consider proposals approved by the commissions under expedited procedures. Under this proposal, any program the President did not like could be put on the chopping block under fast-track procedures.

Congress already has the authority to restructure and consolidate agencies and programs when necessary. Congress should not delegate this authority to executive branch commissions. If the Administration has a specific proposal to eliminate or reorganize an agency or program, it should submit the proposal to Congress for consideration under regular order.

Information Technology

The President's budget request acknowledges that in 2006 several agencies experienced high profile data security breaches involving personal information, and that information security experienced a "net decrease in overall performance in some areas." The budget request identifies some initiatives, such as shared service centers, to improve information security. However, the Committee believes that progress in improving information security has stalled, and the President's budget proposes only incremental changes to existing programs. It is not clear how much of the President's information technology budget is allocated to strengthen information security. The Committee believes that management of information security systems should be restructured and clarified so that agency Chief Information Security Officers have additional management and budgetary authority to enforce information security requirements. The Committee may also consider legislation to amend the Federal Information Security Management Act (FISMA).

Financial Management

The President's budget notes that progress has been made in improving financial reporting and reducing improper payments. Although progress has been made in these areas at both the Department of Defense (DOD) and Department of Homeland Security (DHS), agencies that together represent a vast proportion of total federal dollars continue to have serious material weaknesses in their financial systems that prevent accurate and timely budget and spending decisions. The Committee will continue to oversee whether these agencies can begin to accurately report their finances in order to put a stop to wasteful spending.

Federal Workforce

Civilian Employees' Pay

The President's FY 2008 budget proposes equal pay adjustments, a 3% pay raise, for the armed services and the federal civilian workforce. The Committee is pleased that the President has embraced Congress' longstanding policy of pay parity for military and civilian employees.

However, the Committee is concerned that the President's proposed 3% pay raise includes special rate pay. While it is important to make special pay adjustments for employees in hard-to-fill jobs or locations, these higher pay rates should not be taken out from the overall pay raise that Congress approves each year. The Committee does not support diminishing the amount of money available for annual and locality pay adjustments.

In addition, the Committee will review whether the Administration's proposal is sufficient to recruit and retain qualified federal personnel. The proposed 3% pay raise is higher than the 2.2% pay raise civilian employees and military employees received in 2007. However, the Bureau of Labor Statistics estimates a more than 30% gap in pay between federal civilian employees and their private sector counterparts, and a 10% gap between the military and private sector.

Federal Employee Health Benefits Program (FEHB)

The Administration proposes reducing the government's contribution to health premiums for new retirees with fewer than ten years of service. Currently, annuitants must participate in the FEHB program for five years prior to retiring in order to have access to the same plans, at the same prices, as current employees. Under the Administration's proposal, annuitants would be required to participate in the program for ten years prior to retiring. Reducing the government contribution in these cases would mean that if these retirees chose to stay in the program, they would be forced to pay higher premiums. For affected retirees, this would cost an estimated \$12 million over the next five years. The annual cost for some beneficiaries could increase by as much as \$2,780 annually. This policy would make it more difficult for affected retirees to afford health insurance, potentially increasing the number of uninsured or shifting the burden of their coverage to other federal health programs.

Human Capital Management

The Administration continues its call to grant all agencies the personnel flexibilities received by DHS and DOD in 2002 and 2003, respectively. The Committee opposes efforts by the Administration to extend throughout the federal government personnel flexibilities that were granted to DHS and DOD.

Legal challenges to the personnel flexibilities granted to DHS and DOD have delayed implementation of these new systems for employees represented by bargaining units. In addition, DHS and DOD have just begun to implement their new systems for those employees not represented by bargaining units.

Personnel flexibilities should not be extended governmentwide until it is possible to measure and evaluate their effects on the workforce and until Congress understands the costs associated with the design, implementation, and training related to these new systems.

Outsourcing

The Administration's budget continues to push for expansion of the President's Competitive Sourcing initiative, under which federal employees must compete with private sector firms to continue performing commercial activities. The Committee also views competition as an effective way to ensure the efficient use of taxpayer monies. However, competition must also be fair. Some of the "legislative restrictions" noted by the Administration are, in fact, requirements by Congress to improve fairness in the competitive process. Measures such as requiring formal competitions when more than ten employees are affected and prohibiting private sector firms from benefiting because they do not offer health benefits should be expanded not repealed.

The President's budget states, "Agencies have projected that competitions completed during the last four years should generate a total of more than \$6 billion in savings, or an estimated annualized savings of about \$1 billion." The Administration's budget proposal argues that public-private competitions result in cost control and performance efficiencies but such claims need to be scrutinized to determine whether or not they are accurate. The size and scope of the contract workforce is unknown, and there is no system to track how much it is costing the government to execute these public-private competitions. Even more disconcerting is that federal agencies may be increasingly contracting out inherently governmental functions because they are under pressure from OMB to meet certain competition targets under the President's management agenda. Federal agencies should engage in public-private competitions when it is evident they are in the best interest of the public and will save taxpayer dollars.

Postal Service

The Committee disagrees with the President's decision, for the fourth year in a row, to propose eliminating the reimbursement payment owed to the Postal Service for costs incurred in the 1990s in the delivery of mail sent by nonprofits. The Revenue Forgone Reform Act of 1993 provided for an annual payment of \$29 million each year for 42 years to pay off the cost accumulated by the Postal Service for reduced rates for nonprofits. Congress appropriated this amount every year from 1994 through 2006 but the President's FY 2008 budget again proposes eliminating this \$29 million reimbursement.

District of Columbia

Washington Metropolitan Area Transit Authority

The Committee is pleased that the President's budget includes funding for Metrorail cars which will allow the Washington Metropolitan Area Transit Authority (WMATA) to phase in 8-car trains.

Additionally, WMATA received \$20 million for improvements to the Navy Yard Metro station in the Revised Continuing Appropriations Resolution for FY 2007. This money is being spent on needed improvements to increase the capacity of the station to accommodate federal

employees working at the new Southeast Federal Center and people who will be coming to the new stadium once it is completed. However, the Committee expects that additional funding will be needed to pay for sidewalks and lighting from the Navy Yard Metro station to the surrounding area.

This spring, the Committee intends to consider H.R. 401, the National Capital Transportation Amendments Act of 2007, introduced by Ranking Minority Member Tom Davis. This legislation would authorize federal funding for capital improvements and critical preventive maintenance needs for WMATA. Similar legislation was approved by the Committee and passed by the House in the 109th Congress.

D.C. Tuition Assistance Grant Program

The District of Columbia (D.C.) Tuition Assistance Grant (TAG) Program was created by the District of Columbia College Access Act of 1999 and amended by the D.C. College Access Improvement Act of 2002. D.C. TAG covers the difference between in-state and out-of-state tuition rates for District high school graduates at public colleges and universities throughout the nation. This program also provides limited financial assistance to D.C. high school graduates attending private schools in the D.C. metropolitan area as well as students who attend private historically black colleges and universities in other states.

The Committee supports the President's proposal to increase funding for this by \$2 million for a total of \$35 million. This increase would enable 5,500 students, including 1,700 new students, to attend public colleges nationwide at in-state tuition rates.

Education Initiatives

The President's budget recommends continued funding of education initiatives for the District including \$13 million for public schools, \$13 million for public charter schools, and \$14.8 million for school vouchers. This proposal reflects an increase for school vouchers with no comparable increase for D.C. public and charter schools. The Committee does not support the increase because it violates the spirit of the unwritten compromise fashioned by congressional supporters of the school voucher program and District officials under which Congress would provide the same level of federal funding for all three programs. Moreover, the funds proposed for the voucher program could be better spent supporting the public and charter schools in the District.

Court Services and Offender Supervision Agency

The Court Services and Offender Supervision Agency for the District of Columbia (CSOSA) was established by the National Capital Revitalization and Self-Government Improvement Act of 1997. The agency is responsible for the community supervision of approximately 15,000 District of Columbia offenders on probation, parole, and supervised release. Approximately 70% of the offenders under supervision have a history of substance abuse. CSOSA's Treatment Management Team conducts in-house treatment assessment and

treatment readiness programs and refers offenders to contract treatment providers. CSOSA contracts with service providers for residential, outpatient, transitional housing, and sex offender treatment services.

CSOSA's present level of funding enables it to meet only approximately 25% of the offenders' need for treatment services. For FY 2007, CSOSA has a total of \$14,390,000 in funding for offender contract treatment, including substance abuse, halfway-back residential sanctions, mental health and sex offender assessments, and transitional housing. CSOSA's FY 2008 President's Budget maintains the FY 2007 CSOSA treatment funding level. CSOSA estimates that there are 2,800 chronic, substance-abusing offenders in need of treatment intervention on an annual basis. Of this number, approximately 1,150, or 41%, are supervised at the maximum or intensive (highest-risk) level. The President's budget, however, will enable CSOSA to provide the full continuum of contract treatment services for only 690 of the highest-risk offenders. CSOSA requires an additional \$7,543,000 to provide the remaining 460 highest-risk offenders with necessary contract treatment.

Social Riders

The President's budget continues to include social riders that are inconsistent with the concept of Home Rule. The President's budget would prohibit the use of federal and District funds for a needle exchange program intended to reduce the spread of HIV among drug users; a medical marijuana initiative approved by District voters; and abortion services except in cases involving rape, incest, or if the life of the mother is endangered. The President's proposal also includes provisions limiting and restricting the city's ability to use District funds to advocate for voting representation in Congress.

Office of National Drug Control Policy (ONDCP)

The President's FY 2008 budget request for ONDCP increases funds by \$8.5 million, bringing the total to \$473.4. It also initiates a significant shift in resources at the agency that merits congressional attention.

The Committee is concerned by a decrease in allocation for the High Intensity Drug Trafficking Area Program. While the program remains the largest single program at ONDCP, we question the justification and wisdom of decreasing funding by about \$5 million.

We also note with concern that the President's budget request calls for a very large decrease in the Counterdrug Technology Assessment Center. Half of CTAC's funding has historically been allocated to a technology transfer program, from which many states and local law enforcement agencies benefit. The President's budget would cut funding for CTAC by 75% to \$5 million, from about \$20 million.

Meanwhile, the President would significantly increase funding for the National Youth Anti-Drug Media Campaign, raising its allocation to \$130 million from about \$100 million. This is a large increase, as it raises the Youth Media Campaign's share of total resources from 21.5%

to 27.5%. While historically there has been bipartisan support for this program, significant questions remain about the program's effectiveness. An August 2006 report by GAO assessing the integrity of the national evaluation of the Media Campaign found that "the evaluation provides credible evidence that the campaign was not effective in reducing youth drug use."¹ Largely affirming the negative conclusions drawn by the national evaluation of the campaign by a subcontractor, GAO recommended that "Congress should consider limiting appropriations for the National Youth Anti-Drug Media Campaign." Recent legislative changes to the Media Campaign (set forth in ONDCP reauthorization legislation approved by this Committee and enacted on a bipartisan basis last year) sought to strengthen the campaign and its evaluation component, with an eye toward increasing its effectiveness and accountability. The Subcommittee on Domestic Policy will examine closely the campaign to determine whether its effectiveness is improving and to evaluate whether a large increase in spending is warranted.

The Committee is also concerned by a number of proposed cuts to federal drug abuse prevention and treatment programs. The Substance Abuse and Mental Health Services Administration would suffer a significant cut, totaling \$159 million, including a cut of \$47 million to the Center for Substance Abuse Treatment, a cut of \$36 million to the Center for Substance Abuse Prevention, and a cut of \$76.6 million to the Center for Mental Health Services. These cuts to prevention and substance abuse treatment are short-sighted and deserve scrutiny by Congress.

Bureau of the Census

The Census Bureau serves as the leading source of statistical data about the nation's population and economy. Statistics derived from the decennial United States Census, the quinquennial Economic Census and Census of Governments, and more than 100 annual surveys guide important decisions bearing on the distribution of governmental resources as well as political apportionment.

Ensuring that the Census Bureau has adequate resources to prepare for and conduct the 2010 Census is an important priority for the Committee. The President's budget request proposes \$797 million, a \$285 million increase over the prior year request, to continue preparations for a re-engineered, short-form only 2010 Census. This includes the 2008 dress rehearsal, continued development of handheld computers, and the opening of regional offices. Enactment of the Revised Continuing Appropriations Resolution for FY 2007 should ensure that the Bureau's preparations for the first-ever automated Census will remain on track for the current fiscal year. Census automation is expected to facilitate a more accurate count and is estimated to save \$1.2 billion. Ensuring that funding for this effort is expended and accounted for properly is an important oversight objective.

¹ U.S. Government Accountability Office, *ONDCP Media Campaign: Contractor's National Evaluation Did Not Find That the Youth Anti-Drug Media Campaign Was Effective in Reducing Youth Drug Use* (Aug. 2006) (GAO-06-818).

The Committee will seek to ensure that programs designed to measure the accuracy of the 2010 Census are adequately tested in the 2008 Dress Rehearsal and fully funded for the Decennial Census itself.

Whether the budget request adequately supports other measures to ensure an accurate and thorough count will be a focus of oversight activity by the Subcommittee on Information Policy, Census, and National Archives. Funding is critical to enable effective recruitment, hiring, and training of census workers to perform the decennial survey. Moreover, availability of resources also will inform what enumeration methods, apart from automation, can and will be used to address factors that have contributed historically to the over-counting and undercounting of certain population subgroups. During the 2000 Census, for example, enumerators encountered serious difficulties in achieving accurate enumeration with respect to small multi-unit and hidden residences in both densely populated urban areas and sparsely populated rural areas. Experts have thus highlighted the need for alternative enumeration methods in areas where these irregular housing situations are prevalent. The Committee is concerned that the Census Bureau apparently does not intend to employ Update/Enumerate methodology in the 2008 Dress Rehearsal. The Subcommittee on Information Policy, Census, and National Archives will examine whether this decision is a function of inadequate resources and what bearing it will have on the 2010 Census.

The Subcommittee on Information Policy, Census, and National Archives also will seek to ascertain whether the FY 2008 budget request provides adequate support for promoting awareness of, and participation in, the 2010 Census through partnerships with state, local, and tribal governments, and commercial, nonprofit, and religious entities. The utilization of these partnerships will be critical to ensuring the highest possible rate of response.

The annual collection of statistical data on income and poverty is also an important area of oversight interest. As the Bureau phases out the Survey of Income and Program Participation (SIPP), the Subcommittee will examine closely whether the successor Dynamics of Economic Well-Being System (DEWS) program will be an improvement over SIPP and whether the Census Bureau's budget request supports the collection of income and poverty data for the interim period.

The Census Bureau receives \$20 million annually in mandatory funds, including \$10 million for the State Children's Health Insurance Program (SCHIP) and \$10 million for the Survey of Program Dynamics. The Commerce Department's FY 2008 budget document shows that the Census Bureau spent only roughly \$1.8 million on both mandatory programs in FY 2006. The Subcommittee will seek to ascertain the basis for this discrepancy.

National Archives and Records Administration

The National Archives and Records Administration (NARA) is the principal repository of records documenting the nation's history and the ongoing functioning of its government. Public access to these records is critical to enabling an informed electorate and to ensuring government transparency and accountability.

The Committee is concerned about recently implemented policies and practices limiting public access to agency and Presidential records, specifically Executive Order 13233. Public access to such records is limited by NARA's capacity to process the enormous volume of records that have been released (including records released due to the statutorily mandated declassification of records older than 25 years). This capacity is substantially a function of resources. Therefore, the Subcommittee on Information Policy, Census, and National Archives will seek to assess the Administration's commitment to ensuring that NARA has resources commensurate with the challenge it faces in keeping pace with the records becoming available.

Amplifying the already enormous challenge faced by NARA, the onset of the Digital Age has resulted in an explosion in volume of White House and agency electronic records. NARA is implementing a federal records management initiative that aims to improve preservation of, and access to, computer-based records throughout the executive branch. A crucial part of that initiative is NARA's Electronic Records Archives (ERA), which NARA describes as "a comprehensive, systematic, and dynamic means for preserving virtually any kind of electronic record, free from dependence on any specific hardware or software" that "will make it easy for National Archives customers to find records they want and easy for the National Archives to deliver those records in formats suited to customer's needs."² In order for NARA to accomplish this goal, all federal agencies must comply with requirements for the preservation of the records and NARA must have the resources to collect and examine them in a timely fashion. If that does not occur, records may be lost, undermining the goals of historic preservation and government transparency.

With the above concerns in mind, the Subcommittee on Information Policy, Census, and National Archives will seek to determine the adequacy of the President's FY 2008 funding request for the Federal Records Management initiative, including ERA and NARA.

Freedom of Information Act Compliance

An important area of oversight for the Subcommittee on Information Policy, Census, and National Archives involves agency compliance with the Freedom of Information Act (FOIA). The well-documented backlog of agency responses to FOIA requests is an important area of concern. A factor contributing to the backlog is inadequate resources for FOIA compliance, principally in terms of staffing. The funding and operation of FOIA compliance activities is decentralized, as individual FOIA offices are maintained by roughly 90 separate agencies. The Subcommittee on Information Policy, Census, and National Archives will seek to ascertain to what extent the President's budget request supports efforts to ensure that agencies have adequate resources that will enable them to meet the challenge of responding to the growing volume (and backlog) of FOIA requests.

² National Archives and Records Administration's Electronic Records Archive (online at <http://www.archives.gov/era/>).

Abstinence-only Programs

The President's \$204 million request for abstinence-only education would represent an increase of \$28 million over the Revised Continuing Appropriations Resolution for FY 2007. There continues to be little evidence that abstinence-only programs improve adolescent health, and despite documented evidence of false and misleading information, GAO found in 2006 that HHS still does not adequately review these programs for medical accuracy.

Military Spending

Humvee Armored Equipment Upgrades

Providing the necessary equipment and latest technology to U.S. soldiers in war zones to perform their missions is a basic requirement for success on the battlefield. Previous budget request and emergency supplemental requests for the Global War on Terror have sought to fund severe equipment shortages and backlogs in theater, where numerous reports have indicated that U.S. soldiers have been killed or wounded by roadside bombs, and remain highly susceptible to injury from such attacks.

The Committee is highly concerned about reports that U.S. troops in Iraq lack vital armor upgrades for their Humvee vehicles, and are not adequately protected against lethal "improvised explosive devices" and armor-piercing "explosively formed penetrators," which currently account for some 70% of American casualties there.

There are reports that U.S. Army units lack the FRAG Kit 5, the latest Humvee armor kit. The lag in production of FRAG 5 kits, which are not scheduled to be completed until the summer of 2007, continues a pattern wherein U.S. soldiers in Iraq and Afghanistan are not given the protective tools to complete their missions, and may be placed unnecessarily in harm's way. Concurrently, the President's recent call for a "surge" of 20,000 additional U.S. soldiers deployed to Iraq, means that the accompanying 2,000 Humvee vehicles sent along with these five additional Army brigades may not have the new FRAG 5 armor installed on them when they arrive.³

Missile Defense and Weaponization of Space

The Committee remains highly concerned about the status of a national missile defense program, and skeptical of its ability to deter or defeat a long-range ballistic missile aimed at the United States. These programs continue to draw funds away from support for military operations in Iraq and Afghanistan, and consideration should be given to whether deployment of such a system would help or hinder the U.S. defense posture.

³ *Thousands of Army Humvees Lack Armor Upgrade*, Washington Post (Feb. 12, 2007).

The President proposes \$8.8 billion for the Missile Defense Agency (MDA), as well as a large increase for military space programs, from \$1.2 billion to \$6 billion. This is particularly notable given the repeated failures of MDA missile tests. MDA is still in its rudimentary research and development phase, and there are serious doubts on whether it can ever achieve operational status, or even defeat simplistic countermeasures. So-called “spiral development” lacks coherent justification and serious questions arise about the failure to comply with the operation, testing, and evaluation requirements.

Overall, the President proposes some \$140 billion in weapons procurement and research and development costs unrelated to our nation’s current involvement in Iraq and Afghanistan, and such a request demands scrutiny.

Concern surrounds Administration proposals to weaponize space and to “modernize” the nuclear arsenal, even as a less than rigorous intention to pursue diplomacy on such issues is evidenced. Costs and policy considerations are abundant and in dire need of explanation.

U.S. Foreign Service

The Committee remains concerned about the commitment of the Administration to public diplomacy efforts, particularly in the budget of the U.S. Foreign Service. The Administration states that the FY 2008 budget for the State Department “transforms the U.S. diplomatic posture overseas by repositioning diplomats to critical locations and countries, enhancing diplomatic activities, and increasing America’s capacity to respond to these crises.” These include efforts to attract Foreign Service employees to posts in hardship locations such as in Iraq and Afghanistan, and to hire or to train additional critical language specialists, such as our paucity of trained Arabic linguists.

In reality, the State Department’s Transformation Diplomacy efforts face significant obstacles in their implementation. For example, recent reports indicate that State Department “volunteers” who had signed up to go to Iraq to assist in democracy building and reconstruction efforts were entry-level employees, and not experienced, seasoned employees. Others have outright refused reassignment or made demands to be located only in Baghdad’s Green Zone. The difficulty in attracting high-level employees, particularly those with families, into a war zone, was apparently not considered by State Department leadership. Defense Secretary Robert Gates has also confirmed that the failure to fill key civilian positions in Iraq could lead to a failure in the Administration’s latest strategy for that country. Moreover, these spots are temporarily being filled by military personnel such as National Guard soldiers, who are already in high demand and are strained to meet both their dangerous military and new civilian missions at the same time.⁴

Moreover, reassignment of senior and mid-level diplomats to Iraq and Afghanistan only creates gaps and inefficiencies and other diplomatic posts around the globe, and may result in a

⁴ *Few Veteran Diplomats Accept Mission to Iraq*, New York Times (Feb. 8, 2007).

severe deterioration of services to U.S. nationals abroad, as well as increased animosity to the United States and its missions overseas.

VA Consolidation Plans

The Committee is pleased with the overall proposed increase in budget authority to the Department of Veterans Affairs, to slightly more than \$84 billion. America's veterans have made enormous sacrifices to defend our national security, and to fight for democracy, freedoms, and human rights overseas. It must be ensured that the VA infrastructure provides the highest quality of care possible to meet their short-term and long-term health and disability needs.

However, the strain on the current number of hospital, rehabilitation, and treatment facilities caused by the enormous demand for services and health care for veterans of the Iraq and Afghanistan wars is growing exponentially. A recent study by Dr. Linda Bilmes of the Kennedy School of Government at Harvard University estimates that the budgetary costs of providing disability compensation, benefits, and care to Iraq and Afghanistan war veterans could amount to \$350-\$700 billion over the course of their lives.⁵ While the Administration proposes \$750 million for the construction of new medical treatment facilities to lessen stress on the system, it is concerning that the Administration is simultaneously planning to close or consolidate veterans' care facilities. Careful review and better planning must precede any movement in this direction in order to ensure that veterans obtain the services they are owed.

For example, despite having been previously spurned in such attempts, the Administration is again considering plans to consolidate treatment services at its facilities in certain communities across the country. The potential for disruption of vital services and care, additional burden to veterans to transport themselves to a new facility, and longer lines and wait time for care do not seem to be in the best interest of these affected veterans. Rather, budget outlays would be more effectively spent toward the modernization of facilities.

In the future, resources should be increased for the study and treatment of post traumatic stress disorders and mental illnesses.

Use of Budget Estimates

The Committee is concerned that the Administration's request for funding for FY 2008 continues to rely on OMB budget projections rather than those of the nonpartisan Congressional Budget Office (CBO). The choice in budget estimates used, particularly for military and diplomatic operations in support of the war on terrorism, remains significant. Moreover, the Administration has sought in recent years to ask for hundreds of billions of dollars in additional funding for military operations in Iraq and Afghanistan through the use of supplemental appropriations requests, instead of through the DOD budget process.

⁵ Linda Bilmes, *Soldiers Returning From Iraq and Afghanistan: The Long-term Costs of Providing Veterans Medical Care and Disability Benefits* (Jan. 2007).

A February 7, 2007, CBO estimate of funding provided for operations in Iraq and Afghanistan illustrates the tens of billions of dollars in potential misallocation of budget outlays, and possible wasteful spending by the Administration.⁶ The CBO report demonstrates that many appropriations for activities in Iraq and Afghanistan are listed in the same budget accounts as other non-war DOD expenditures. Therefore, it has been difficult for CBO to track exactly what has been spent. Furthermore, DOD budget reports and supplemental requests do not contain details such as combat versus support personnel levels, length or pace of operations, or the nature of long-term military commitments in Iraq and Afghanistan.

CBO explains that since the Administration's latest supplemental budget requests have not taken those important details into consideration, the requests may be \$40 billion too high. CBO considered the two most likely scenarios for the number of U.S. troops needed for the period 2008-2017. Using those calculations, CBO believes that the Administration may be asking Congress for more money than it needs. Either the Administration has not accurately projected future costs of the war or it has not disclosed the necessary details of its requests to justify them.

⁶ Congressional Budget Office, *Estimated Funding for Operations in Iraq and the War on Terrorism* (Feb. 7, 2007).