

**CONTINGENT EMERGENCY RESERVE FUND RE-
QUEST FOR IRAQ AND AFGHANISTAN FOR
FISCAL YEAR 2005**

HEARING

BEFORE A

SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE
ONE HUNDRED EIGHTH CONGRESS

SECOND SESSION

SPECIAL HEARING

JUNE 2, 2004—WASHINGTON, DC

Printed for the use of the Committee on Appropriations



Available via the World Wide Web: <http://www.access.gpo.gov/congress/senate>

U.S. GOVERNMENT PRINTING OFFICE

96-178 PDF

WASHINGTON : 2004

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**CONTINGENT EMERGENCY RESERVE FUND
REQUEST FOR IRAQ AND AFGHANISTAN
FOR FISCAL YEAR 2005**

WEDNESDAY, JUNE 2, 2004

U.S. SENATE,
SUBCOMMITTEE ON DEFENSE,
COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10 a.m., in room SD-192, Dirksen Senate Office Building, Hon. Ted Stevens (chairman) presiding.

Present: Senators Stevens, Cochran, Domenici, Bond, Gregg, Burns, Inouye, Byrd, and Dorgan.

**STATEMENT OF HON. JOEL D. KAPLAN, DEPUTY DIRECTOR, OFFICE
OF MANAGEMENT AND BUDGET**

OPENING STATEMENT OF SENATOR TED STEVENS

Senator STEVENS. Good morning. Welcome to our witnesses. We're pleased to have you all back with us again. Our subcommittee is meeting this morning for a special hearing convened specially to review the President's request for \$25 billion as a reserve fund for military operations in Iraq and Afghanistan. Deputy Director Kaplan, we welcome you in your first appearance before the committee, and Mr. Lanzillotta, we welcome you back. You testified with Secretary Rumsfeld about 1 month ago, and it's a challenging and important time to be the acting Department of Defense (DOD) Comptroller, I'm sure of that. So we thank you for your service. General Pace, it's always good to see you. We welcome you again. We look forward to hearing your perspective.

As we meet today, our servicemen and women remain engaged in combat missions in Iraq and Afghanistan. They are the ones who are fighting and winning the global war on terrorism. To meet their commitment and ensure that they have the resources they need to get their job done, the President has proposed \$25 billion in a contingent emergency reserve fund. Our military commanders must make prudent operational plans. They must be prepared to respond to the dynamic events on the battlefield. We expect nothing less of our military leadership and our people in uniform.

So the Congress also must plan for and provide the resources for our military forces needed to do their job. Our military commanders in the field and the troops that are doing the hard work must not find that fiscal issues or the availability of money constrain them in any way. The last thing we want an operational commander concerned about is whether or not there's enough

money to do the job. I applaud the President's decision to ask for these resources now and the President requested resources for the Iraqi Freedom Fund (IFF), a flexible transfer account that Congress created in 2003 with the Iraqi supplemental.

As requested, this version of the IFF is different in two important ways. First, funds are explicit only to support operations in Iraq or Afghanistan. Previous IFF language was somewhat broader and allowed the use of the funds for the global war on terrorism. Second, funds would become available after two actions by the President. The President must first transmit an official budget request and designate the amount as an emergency and as essential to support the activities or agencies in Iraq or Afghanistan. The request includes the requirement for a 5-day advanced congressional notification before making any transfer from the fund, the same requirement that Congress included in the original Iraq Freedom Fund.

I want to remind the committee that this hearing is about the President's request for the \$25 billion reserve fund. It's really not an appropriate place to have a policy debate on Iraq or a hearing on the allegations of Iraq prisoner abuse. It's our hope that this hearing will stay on track and focused on the appropriations matters before us. We expect other members to—ranking member, former chairman, is with us now. I do expect a full committee to attend this hearing.

We will make your statements, gentlemen, a part of the committee record in full, and we'll ask you to present them to us as briefly as you may. I would like to turn now to the co-chairman of the subcommittee for his remarks.

STATEMENT OF SENATOR DANIEL K. INOUE

Senator INOUE. I thank you very much. I'm pleased to join our chairman in welcoming all of you to discuss the administration's request for fiscal year 2005 emergency funding for the wars in Iraq and Afghanistan. We did not anticipate a supplemental request to come before Congress this year. When the Congress passed the \$87 billion supplemental last October, we were told by the administration that those funds would cover the costs of war for the next 18 months.

However, due to unforeseen circumstances in theater that called for more forces than planned, resulted in more damage and loss of equipment than predicted and longer duration than anticipated, the services' accounts are running short. I think we should make it very clear that this committee and this Congress support our forces deployed overseas and we'll make certain that we provide adequate funds to provide for their safe return.

Nevertheless, Mr. Chairman, I have several concerns and questions about the request before us this morning. It is my understanding that when the administration fashioned this request that the services were not consulted. Without their input, how did the administration arrive at this \$25 billion figure and determine what accounts to apply it to? The request includes \$5 billion to reimburse other appropriations and classified programs. There's no information regarding how that \$5 billion would be spent and I hope

that you will address how the Department plans to use the unclassified portion of these funds.

We have learned in recent weeks that the Army has procurement shortfalls for activities such as resetting the force and modularity. In addition, both the Army and Marine Corps have shortfalls for replacing lost and damaged equipment and for critical items such as aircraft survivability equipment, ammunition, vehicle armor, and rapid fuel equipment.

I understand there's no funding in the supplemental request earmarked for these items. I'm interested in hearing from you on how the Department intends to address these concerns.

Furthermore, with rising costs associated with increase in troop strength on ground, what is the status of the remaining fiscal year 2004 funds? We've been told that this is part one of a two-part supplemental request for fiscal year 2005. We anticipate receiving another request for funding the wars when the administration sends over next year's budget request.

I hope you will discuss this morning how the administration determined what is funded in this supplemental versus the one we expect to receive next year. I raise these points, Mr. Chairman, because the Congress has been provided very limited information on how these funds will be used, and because I noted in a recent Wall Street Journal article that an unidentified senior administration official said that Congress is not provided detailed information if they don't ask the right questions.

Finally, I remain concerned about recruiting and retention. I think all of us do. The Active Forces are stretched thin. We are relying heavily on our Guard and Reserve forces to serve extended tours overseas. The forces are performing magnificently, but how long can we sustain this pace of operations? How can we expect the operational tempo to slow down?

So, Mr. Chairman, these are some of the questions that have been of concern to me, and I hope that you'll be able to respond to these issues. I thank you, Mr. Chairman.

Senator STEVENS. Thank you. It will be my intention to ask that members accept a 5-minute limitation. You and I have used about 3 minutes apiece. I'll just ask one question and then yield to Senator Inouye and then we'll follow the early-bird rule and first early bird was Senator Byrd, so we will try to move along so everyone that comes in will have a chance to ask—make some comments or ask questions.

TIMING OF FISCAL YEAR 2005 SUPPLEMENTAL

My question really pertains to the change. I was the one that went to the Office of Management and Budget (OMB) and asked that we not have a supplemental presented to us this summer because of the shortness of this session due to the long recess for the two conventions. And we were told that OMB and DOD agreed and they would not seek a 2005 supplemental this year, a supplemental until next year, until after the first of the year of 2005. That has obviously changed and the President requested \$25 billion. We expect this to be used as indicated for—only for Afghanistan and Iraq plus the \$5 billion that Senator Inouye mentioned. And we've had another change, and that has been the decision to not reduce the

forces in Iraq, but to maintain the level of 135,000 through calendar year 2005.

Now, my question really goes to Director Kaplan and Mr. Lanzillotta. We understand that it's difficult to present a supplemental for what might occur over the next 18 months, and this reserve fund really seems to be directed to the first 4 months of the next fiscal year. Is there a plan to add to this supplemental after the beginning of the year? Could you tell us, one of you, what time-frame does this reserve fund really purport to cover?

Mr. KAPLAN. Yes, Mr. Chairman. As you know, due to many conversations you've had with the administration, it was not the administration's plan to come forward with a fiscal year 2005 supplemental until calendar year 2005 when we will have more precise and reliable estimates of what the needs on the ground in Iraq and Afghanistan will be.

You mentioned some of the challenges in terms of operational requirements that have developed in the last couple of months. The President has been very clear with us at OMB and throughout the administration in his commitment to provide the commanders on the ground the resources they need and the confidence that the resources will be there when they need them.

With that in mind, Secretary Rumsfeld came to the President several weeks ago and reported that because of changing conditions in Iraq and Afghanistan, we needed to request from the Congress basically an insurance policy. It had been our intention to cash flow until we could submit a full and reliable supplemental request in calendar year 2005. Given uncertainties, the developments in Iraq, the political situation, the security situation, we thought it was advisable to get an insurance policy in place to help the services get to the fiscal year 2005 supplemental. It remains our intention, Mr. Chairman, to come before the Congress in early calendar year 2005 and ask for that full supplemental to carry us through the rest of fiscal year 2005.

Senator STEVENS. I apologize to the committee and to our witnesses. I failed to let you make your statements in my eagerness to answer my question. Would you care to make your statement, Mr. Kaplan?

OPENING STATEMENT OF JOEL D. KAPLAN

Mr. KAPLAN. As you wish, Mr. Chairman. I'll be very brief. Thank you, Mr. Chairman, and members of the committee for inviting me to appear to discuss the President's request for the \$25 billion contingent emergency reserve fund. The administration as always, Mr. Chairman, appreciates your support and this committee's unwavering support for our men and women engaged in the war on terror, and we look forward to working with you on this important request.

I do have a full text I'll submit for the record, but I'll just be very brief in highlighting the key factors, and we just talked about a couple of them, that shaped our thinking in putting together this request. First, we were guided by the President's clear and consistent direction, make sure the commanders and troops in the field have the resources they need to accomplish the mission.

Second, the request would appropriate the reserve into service accounts within the Iraq Freedom Fund, which was established by the Congress, as you mentioned, Mr. Chairman, in the fiscal year 2003 supplemental. We wanted to work with an existing structure for which the Congress has shown support in the past.

Third, the funding is requested as a contingent emergency reserve with the funds activated only after the President submits a request designating all or part of the funding as an emergency and essential to operations in Iraq or Afghanistan.

Fourth, again, as you mentioned, Mr. Chairman, the reserve is intended for operations in Iraq and Afghanistan only.

Fifth, we're seeking this reserve in addition to funds requested for DOD's base in the President's 2005 budget. The President believes strongly that the transformation agenda and rebuilding of our core defense capabilities must be funded on a predictable and reliable path, and we urge the Congress to fully fund the Department's base request.

PREPARED STATEMENT

Finally, as I just mentioned in my answer to your question, Mr. Chairman, I'd like to note that we do continue to plan to come to the Congress with a full supplemental request for fiscal year 2005 early in the calendar year when we can have more precise and reliable estimates of what the operational needs are likely to be during 2005. Thank you, Mr. Chairman. I look forward to answering the rest of the committee's questions.

[The statement follows:]

PREPARED STATEMENT OF JOEL D. KAPLAN

Thank you, Mr. Chairman and Members of the Committee, for inviting me to appear before you today to discuss the President's request for a \$25 billion contingent emergency reserve fund for operations in Iraq and Afghanistan. In recent remarks, the President reiterated this Nation's commitment to our Armed Forces engaged in Iraq, Afghanistan, and elsewhere around the world in the War on Terror. The President has never wavered in this commitment. Consequently, his direction to us has been clear and consistent: make sure the commanders have the resources they need to accomplish the mission and protect our men and women in uniform.

It is with those men and women in mind that the President decided to propose this contingent emergency reserve fund, to provide the commanders and the troops in the field the confidence that the resources they need will be there when they need them. This reserve fund, if enacted by Congress, will guarantee we have the ability to respond to rapidly changing conditions in the region, while affording the necessary time and experience after the transition in Iraq and the elections in Afghanistan to ensure that a Supplemental request made of the Congress in early 2005 more accurately and completely reflects real needs.

There are several core principles that guided the Administration's request for this reserve fund. First, it should be made available as a contingent reserve activated only after the President submits a request designating the funds as an emergency and essential to operations in Iraq or Afghanistan. Based on our work with the Department of Defense and the Services, it is clear that they will need to—and can without disruption—pull forward funds planned for the second half of the year to use in the first and second quarter for operational needs if the tempo continues at the current high pace. However, in the current environment, a need to “cashflow” from the last two quarters in 2005 has the potential to raise concern about the availability and reliability of resources later in the year. We wanted to provide commanders, as well as the troops serving in the field, with the confidence that nothing will stand in the way of the President's pledge to provide them with the resources they need to accomplish their mission. A reserve fund guarantees they will have what they need when they need it.

Second, we wanted to propose a structure based on authorities and accounts familiar to and supported by the Congress. Therefore, we have requested funds appropriated into the Iraq Freedom Fund, established by the Congress in the fiscal year 2003 Supplemental. We have also requested allocation of funds into specific service accounts, again as enacted by the Congress.

Third, the reserve fund should provide adequate flexibility to allow us to respond to a fluid operational environment and emerging requirements. The Department of Defense and we believe that at the current pace the pressure points in planning and executing are likely to develop in the Operation and Maintenance accounts, and particularly Army and Marine Corps O&M. This understanding is reflected in the allocations in the request we sent to the Congress. However, we also are seeking to assure that these resources are matched with transfer authority to promptly address changing requirements, including emerging procurement requirements related to force protection.

Fourth, the reserve should address requirements in Afghanistan and Iraq only. We believe the base 2005 request provides ample resources to meet requirements unrelated to the critical operational missions in Iraq and Afghanistan.

Fifth, we want to assure that enactment of the contingency emergency reserve does not come at the expense of the President's 2005 base request for the Defense Department of \$401.7 billion. Early in his Administration, the President determined that predictability in funding was critical to fulfilling the Department's transformation agenda. That predictability is even more important now as the services are asked to fully engage in the war against terror abroad, even as they fundamentally transform their organization, infrastructure, force, and doctrine. While some may argue to shift requirements identified in the 2005 base request into the proposed reserve, such a shift risks creating uncertainty and disruption in the Department's planning and execution of key national security policies and missions.

Finally, I'd just like to note that this Administration has tremendous respect for Congress' Constitutional role, and its responsibility, in authorizing and appropriating resources for our Armed Services. It is in deference to this role that we want to make sure that the next supplemental request you consider is accurate and precise as to the military's needs. Some have recommended that we simply extrapolate from today's costs, multiplying those costs over some fixed period as the basis for a request. We have found that such estimates often mean funds are mismatched with accounts and the requirements that actually develop. The combination of a reserve fund that can be activated as needed with a future supplemental built on actual 2005 conditions assures we will spend what is necessary to support our troops and their vital mission.

Thank you again for the privilege of appearing before this Committee with my distinguished colleagues. I will be happy to take your questions.

Senator STEVENS. Yes, Mr. Lanzillotta.

STATEMENT OF LAWRENCE J. LANZILLOTTA, UNDER SECRETARY OF DEFENSE (ACTING COMPTROLLER), DEPARTMENT OF DEFENSE

Mr. LANZILLOTTA. Thank you, Mr. Chairman. I will leave my statement to be submitted into the record. But to just emphasize the point that Director Kaplan made, and to answer a question that Senator Inouye raised, it was this consultation with the services during the mid-year review to understand corporately the financial situation that we were in and the Department that led the Secretary to seek and report to the President on this condition and why we needed certain things for the end of the year.

I just wanted to emphasize it was the consultation with the services at every step of the way that led us to get a full understanding of our 2004 requirements, our plan, and also the need for this reserve fund to get us to the supplemental in the spring next year.

Senator STEVENS. Thank you.

[The statement follows:]

PREPARED STATEMENT OF LARRY J. LANZILLOTTA

Mr. Chairman and Members of the Committee, I am happy to be here today to testify in support of President Bush's request for a \$25 billion reserve fund.

THE PRESIDENT'S \$25 BILLION RESERVE FUND

The reserve fund we are requesting will provide an insurance plan so the Department of Defense (DOD) has adequate resources for both its core defense activities and its operations in Iraq and Afghanistan. It is critical to avoid any disruption in funding for our military forces.

The Department's plan had been to cash flow fiscal year 2005 operations in Iraq and Afghanistan until a Supplemental budget request could be prepared by early 2005. Now, however, our higher projected troop levels increase the risk that certain accounts—especially Operation and Maintenance, Army—would have difficulty cash flowing operations beyond the February-March timeframe in 2005. This reserve fund will eliminate that risk and provide a margin of safety.

The reserve fund would be used primarily for operation and maintenance (O&M) requirements, but a portion is expected to be used for force protection needs. Requirements are likely to include:

- Fuel for helicopters, tanks, and other vehicles.
- Transportation costs for movement of personnel and equipment in and out of the theater of operations.
- Equipment maintenance (such as lubricants, repair parts) and logistics supplies.
- Force protection needs such as individual body armor and up-armored HMMWVs and for possible support for Army modularity.

The Administration still anticipates submitting a supplemental appropriation request to Congress in early 2005 to fund incremental costs for contingency operations. It continues to be impossible to know what our total supplemental funding needs will be for fiscal year 2005—particularly after the election in Afghanistan and after sovereignty is transferred in Iraq. Depending on the circumstances, we could face the need for either more or fewer troops—and more or less intensive operations.

FUNDING FLEXIBILITY

I want to make a special plea for giving the Department of Defense the needed flexibility that this reserve fund would provide. The request was structured to reflect the reality that certain O&M accounts will have the greatest difficulty in meeting requirements without this reserve, until a full supplemental request can be provided.

I especially urge you to avoid designating a portion of this fund for specific investment programs, because that would undermine the central purpose of the fund. It would make it much more likely that the Department could not finance its incremental war-related requirements—especially O&M requirements—all the way until fiscal year 2005 supplemental appropriations are approved. As the President requested, funding should be in accounts likely to be under the greatest strain during the first half of fiscal year 2005.

Besides supporting the flexibility requested for the \$25 billion reserve fund in fiscal year 2005, the Department of Defense needs the Committee's help in making it through the rest of fiscal year 2004. The Office of Management and Budget and DOD leaders continue to expect that fiscal year 2004 requirements can be financed with the resources available in the fiscal year 2004 DOD budget and fiscal year 2004 Emergency Supplemental Appropriations. However, to accomplish that the Department needs to be able to shift funds to finance and sustain its current operations. We soon will have exhausted our existing transfer authority, and so we will have no authority to move resources to meet all our must-pay fiscal year 2004 bills. I urge you to approve an additional \$2 billion in general transfer authority (GTA) to enable the Department to get through the remainder of fiscal year 2004 with its existing resources.

Finally, looking ahead to fiscal year 2005, I urge you to support the \$4 billion in general transfer authority requested in the President's budget. The Department's need for higher GTA, especially during this time of war, has been evident in this current fiscal year.

CLOSING

In closing, I want to thank this committee for your continuing strong support to U.S. security and to our military people. We look forward to continuing to work closely with you on behalf of America's armed forces and their vital missions around the globe. Thank you.

Senator STEVENS. General, do you have an opening statement?

**STATEMENT OF GENERAL PETER PACE, UNITED STATES MARINE
CORPS, VICE CHAIRMAN, JOINT CHIEFS OF STAFF, DEPARTMENT OF DEFENSE**

General PACE. Sir, I'll keep my remarks very brief, but I'd be remiss if I didn't say a few thank you, first to this committee and through you all to the entire Congress. We do have the world's best military and we have it because of the sustained bipartisan support of this Congress and we thank you for that.

Second to the magnificent young men and women who are serving right now overseas and defending our freedoms. They and their families deserve our respect and our appreciation and they certainly have it from everyone in this room. And to the guardsmen and reservists who have put their lives on hold to be able to serve their country and to their employers. The guardsmen and reserves are truly performing magnificently well, and they performed so well that it's obvious that the employers who have let them go have gaps in their workforce and we appreciate their support.

Last, if I may have the temerity to do so, sir, we just completed a wonderful Memorial Day weekend where we, among other things, witnessed the unveiling of the World War II memorial, to you, Senator Inouye, your medal of honor, to you, Mr. Chairman, your distinguished flying cross. To everyone on this committee and in this room who served, thank you very much.

Senator STEVENS. Thank you very much, General. Senator Inouye, you have 2 minutes left.

Senator INOUE. General Pace, when Senator Stevens and I were in World War II, we knew that we would be there on the front until combat ceased. But today you're trying your best to limit our force deployments to 6 months or 1 year. But now we find that we've gone to the limit, all the available forces are being used, reservists are being used, National Guard units all being used. In fact, we are pulling out forces from Korea.

In light of the current situation in Iraq, do you think that this is a good strategy?

GUARD AND RESERVE

General PACE. Sir, we've gone back and reviewed the time in combat where a soldier or marine is effective, and all of the studies from World War II and Korea and Vietnam indicate that at about the 1-year mark a person's, an individual's personal capacity to endure combat drops off significantly. So I believe that we have the correct strategy as far as the time that we ask an individual to spend continuously in combat.

Second, with regard to the use of the Guard and Reserve, clearly because we have now been using the Guard and the Reserve for more than 2 years in certain military occupational specialties, we need to rebalance the force.

And General Schoemaker and the Army have identified about 100,000 billets that are either in the Guard and Reserve right now or in the Active Force that should be flip-flopped with each other so that we have more of the requisite skills in the Active Force so we do not have to rely quite as heavily in the future on the Reserve and the Guard, sir.

Senator INOUE. Speaking of General Schoomaker, the General requested additional 30,000 troops, but in this funding we have nothing there for 30,000, I think about 1,200. What do we expect from you? What can we expect from you?

General PACE. Sir, General Schoomaker has requested from the Secretary and has received from the Secretary temporary authority to go over the standing end strength of the Army by about 30,000 soldiers. That will allow him to take his 10 divisions, which are currently configured in 33 brigades, and swap out, as I've mentioned, some of the skills, retrain, reorganize, and have 43 to 48 brigades at the end of this reorganization process.

Right now, the proposal to fund that is as part of the transformation, as part of the resetting of the force, as part of the supplemental request, yet to be submitted for next year to be funded, sir.

Senator INOUE. So it's not in this \$25 billion?

General PACE. It is not in this \$25 billion, no, sir.

Senator INOUE. My time is up.

Senator STEVENS. Thank you. Senator Byrd, you're recognized for 5 minutes.

JUSTIFICATION MATERIALS FOR REQUEST

Senator BYRD. Thank you, Mr. Chairman. We've done a great job in sending a man to the Moon and returning him to Earth safely, but it's amazing that we haven't yet been able to prepare an adequate and good system, public address system.

Senator Stevens, since I'm limited to 5 minutes, I'll save it, but a little at this point. The amendment that you and Senator Warner are proposing on this \$25 billion request is a vast improvement, and I thank you, a vast improvement over the outrageous power and money grab that the President sought in his original request to Congress. He wants it all, no strings attached. But our chairman and our ranking member and Mr. Warner have proposed to do things differently.

I commend you, Mr. Chairman, for the steps you've taken to impose accountability on the Defense Department and to provide the means for Congress to exercise some oversight of how this money is spent, and we ought to insist on that always. That's not only the right, but it's the duty of the appropriators in their fairness to the request, of course, and also in their fairness to the expectation of the taxpayers.

I think we can do more, however, without infringing on the flexibility that the Defense Department so badly wants. For example, I believe that the transfer authority should be limited to \$2.5 billion, which amounts to 10 percent of the entire \$25 billion. That seems to me to be giving the Defense Department an adequate bit of flexibility. It seems to me that giving the Defense Department a 10 percent margin of error in calculating where it will need these funds provides more than adequate flexibility.

I also believe, Mr. Chairman, that the chairman and ranking members of the House and Senate Appropriations Committees should be included in the consultation and notification process in addition to the congressional defense committees. This request,

after all, amounts to supplemental funding regardless of what the administration chooses to call it.

Furthermore, I believe that this committee needs to see detailed justification material on this request before we sign off on it. For my part, I have seen no coherent explanation of how the administration arrived at the figure of \$25 billion, and I believe we need to have that explanation before we okay the request. Mr. Chairman, I thank you again for what you have already done in seeking adequate accountability.

I have a question now for Director Kaplan. Director, does the administration intend to submit a detailed justification for this \$25 billion request?

Mr. KAPLAN. Yes, Senator, we will submit a justification for the request. Should the Congress appropriate the contingent emergency reserve fund, as the President, in consultation with the Secretary of Defense, designates needs as an emergency and essential to operations, we fully intend and expect to consult with the Congress in advance of submitting that request.

Senator BYRD. Let me ask the question again so I can be sure I understand what you're saying. Do you intend to submit a detailed justification insofar as you possibly can for this \$25 billion request?

Mr. KAPLAN. Yes, Senator, insofar as we possibly can, keeping in mind the evolving situation on the ground and our expectation that it will continue to evolve in ways that we don't necessarily know at this time.

Senator BYRD. All right. I guess my time is up. My time is up, thank you.

Senator STEVENS. Thank you very much. Senator Cochran is next.

Senator COCHRAN. Mr. Chairman, thank you very much for convening this hearing. We appreciate the cooperation of the Defense Department, OMB, and the Deputy Chairman of the Joint Chiefs for being here and helping us understand this request.

It seems to me that the request is, as submitted, is something that is justified if the ongoing costs above what you have available to you is expected to be \$5 billion a month. We do need to respond in a way that provides you the resources you need to be sure that our troops are protected who are in the field. I understand that some of these funds will be used to upgrade the capacity of our vehicles to withstand attacks from these improvised explosive devices. Is that correct, General Pace? Is that one of the reasons for this supplemental being requested at this time?

PROTECTION OF TROOPS

General PACE. Senator, some of the funds from the supplemental could be used for that purpose. As you know, Congress this year allowed us to use almost \$1 billion, over \$750 million specifically for force protection of our troops to include body armor, up-armored Humvees and the like. So as we spent the fiscal year 2004 money, we were able to come to you, explain to you what we wanted to use it for, and you allowed us to do that.

The \$25 billion that is the emergency fund could be used for those purposes or for others, depending upon what we face once we get to October 1, sir.

Senator COCHRAN. Well, I just want to make sure that the record is clear that the request is being submitted for additional funding that can be used to enhance force protection of our troops who are in the field. We've all come to realize through news reports and the briefings that we've received here on Capitol Hill that this is a very real threat, and that more and more of these rocket-propelled grenades and other devices like that that are designed to kill our troops who are operating vehicles and trying to protect the Iraqi people as they establish their capacity for self-government and for ruling their own country through a democratic process. To me it's a very timely request and I'm hopeful that our committee will act quickly and with unanimity in approving and supporting the administration's request.

General PACE. Sir, it can be and it will be.

Senator COCHRAN. Thank you, Mr. Chairman.

Senator STEVENS. Senator Bond.

Senator BOND. Thank you very much, Mr. Chairman, and welcome, Mr. Kaplan and Mr. Lanzillotta and General Pace. I particularly appreciate and associate myself with the remarks of General Pace and we thank you for those, sir. We look forward to working with the chairman and the ranking member and I certainly agree with Senator Cochran on the need to ensure that our troops have everything they need to fulfill the mission.

I was very interested in some things that came up recently. Apparently in Iraq no news is good news. Two months ago everybody was talking about Fallujah, the brutal murder and desecration of four Americans, every mosque in the city calling for jihad, local police and fire departments ceasing to exist. But thanks to the great work of the marines and the cooperation of the Iraqis, everything's quiet and it's off the news pages now.

Just this past weekend I watched the movie, "Ike: Preparation for D-Day", and the thought struck me that if we had had 24-hour news coverage of D-Day with all the problems that were encountered there and all of the changes in plans that occurred, all of the things that went wrong, the New York Times and the Columbia Broadcasting System (CBS) would be calling for the firing of General Eisenhower and probably the defeat of the President as a result.

I am concerned we are not getting some reports on the successes that are coming out of Iraq, and I think the American people deserve to know about the so-called rest of the story. And I hope we can do a better job of that. With the new Iraqi interim government we may have an opportunity to get a better picture.

But General Pace, I'd like to ask you a question. There are some people who are saying we have far too few troops in Iraq. Obviously the protection of the troops themselves is key to the accomplishment of their mission and requires a certain level of troop strength. However, I think there are other considerations about the presence, the total presence of United States (U.S.) forces that may be a factor. Could you comment on whether you think we have adequate

troops, and will the additional troops being sought enable us to fulfill our mission within the constraints that exist?

COALITION PARTNERS

General PACE. Senator, thank you. We review that constantly, both here in Washington, and more importantly, the commanders in the field. And General Franks and General Abizaid have come in with their troops request. Those of us on the Joint Chiefs have reviewed their request and done our own independent analysis. We thought we would be at about 115,000 troops today. As a result of the increased attacks, because the enemy is concerned about the fact that we are in fact going to return sovereignty on June 30, the increased attacks have resulted in us analyzing that we need more troops on the ground, an extra 20,000 were asked for and have been provided, and that 135,000 now will be the level to stay at for the foreseeable future.

We're also reviewing literally as I speak in the Pentagon right now, and we'll be presenting in the tank this afternoon, a lookout for the next 5, 6, 8 months, how the U.S. forces are deployed, how we are intermixed with our coalition partners and whether or not that's right, and then how we intend to begin looking at the turn-over of individual responsibilities to the new Iraqi army, the new Iraqi police force, and the like. So this is a constant process, sir. I am personally comfortable with the size force we have there right now. When you combine 135,000 United States and about 24,000 coalition and another 250,000 Iraqis, granted in various stages, but all coming online, that's a very significant coalition force.

Senator BOND. I hope my colleagues would agree with me that the decisions made by the commanders in the field and the leadership in Washington should be the definitive word on the number of troops.

HEAVY TRUCK RECAPITALIZATION

Let me ask either Mr. Lanzillotta or Mr. Kaplan, I recently supported an effort calling for \$200 million to increase the heavy truck recapitalization fund account. We hear reports that trucks in Afghanistan and Iraq are getting years' worth of use in 2 months. Does this supplemental adequately factor in the costs associated with the Army's reset requirements for its transportation fleet?

Mr. LANZILLOTTA. Senator, let me take a stab at that one. This reserve fund is not meant to address all the resetting of the force requirements that we're going to incur. This fund is only to allow us to support the cash flow or reduce or mitigate the problems and the risks associated with cash flowing our operation and maintenance (O&M) accounts, specifically in the Army, through this time period. The resetting of the force or the wear and tear on the equipment is a problem. It's one that the Department is addressing and it's one that the Secretary has charged the Director of Program Analysis and Evaluation (PA&E) to do a study as to what that requirement actually is, because we are finding as we study more and more that this equipment ages differently on wear and tear. The Director of PA&E is going to do that study and we hope to address this issue, and when we do the full supplemental later this year, or I should say earlier next year.

Senator BOND. Thank you, Mr. Chairman.
Senator STEVENS. Senator Gregg.

EMBASSY CONSTRUCTION AND CIVIL OPERATIONS

Senator GREGG. Yes, Mr. Kaplan, in this \$25 billion, is there any money allocated toward the construction of the new Embassy, which is estimated to be \$1 billion, and the maintenance of the civil operations, which the authority is going to hand off to the State Department post-June 30?

Mr. KAPLAN. Senator, as to the first part of your question, there is no money in this contingent emergency reserve fund for construction of a new Embassy. It is the view of the State Department that we're not quite there yet on construction of a new Embassy. As you mentioned, Senator, the State Department will be taking responsibility for the mission in Iraq post-June 30, and there will be funding requirements for the State Department at that time. For the remainder of 2004, we have identified available funding in the administrative accounts for the reconstruction fund in monies that the State Department received for an Embassy in the previous supplemental that the Congress appropriated.

When we get to fiscal year 2005, the State Department has estimated the cost of running the Embassy operations will be about \$1 billion exclusive of any construction, which again there are no plans for at this time. Of that \$1 billion, only about \$170 million of that have to do with traditional Embassy personnel-type operations. The State Department, as I said, has some money in 2005 for that. Our expectation is that the State Department would cash flow from their accounts until the supplemental in 2005 to make up the difference of that \$170 million. The rest of that \$1 billion is for security and logistics, which are currently being covered by the Department of Defense, and our expectation is that the Department of Defense will continue these activities until the fiscal year 2005 supplemental is available to carry those costs.

So we do think that the State Department will be covered until we can get to that fiscal year 2005 supplemental. We have discussed this at some length with both the Department of Defense and the State Department and there's an agreement that everybody's comfortable will provide the State Department the resources they need.

Senator GREGG. Well, that comes as news to me and I'm chairman of the committee that has responsibility for funding the State Department, so I suggest you get that information up in writing to us, because we're not going to fund an area that you people think you've got the money for in that—in the framework you just laid it out, and we certainly don't want to be pointed to as underfunding the State Department—

Senator BYRD. Mr. Chairman, would the distinguished Senator speak a little louder?

Senator GREGG. It's just a long way from—I'll move over a little closer to it, Senator.

Senator BYRD. It's better now.

Senator GREGG. So I would like to get that explanation of how you plan to fund the State Department, the building of the Embassy, the maintenance of the Embassy, and the operational re-

quirements that they will have post-June 30, all of which in your explanation, as I understand it, will require no additional funds being put into the State Department accounts in the 2005 budget as it was sent up.

Mr. KAPLAN. That's right, Senator, in the 2005 regular appropriations. We would expect to address your concerns, Senator, in the full fiscal year 2005 supplemental.

Senator GREGG. I just want that in writing.

Mr. KAPLAN. Absolutely, Senator.

Senator GREGG. Thank you.

Senator STEVENS. An interesting point. I thought there was still some money left in Mr. Bremer's account from the \$87 billion to initiate the construction of that Embassy.

Mr. KAPLAN. Senator, you're correct. I think I omitted reference to—there is a fourth quarter apportionment in the Coalition Provisional Authority (CPA) account that's about \$180 million that will go toward the 2004 costs. I don't believe it's for construction, Mr. Chairman, but it is for the ongoing operations, and that will defray some of the 2004 costs of maintaining and operating the mission once it opens its doors for business on July 1.

Senator STEVENS. That's not before us now, but Senator Gregg is right, we need to have some explanation of what will be the transitional situation for funding for the non-defense portion of our activities in Iraq post-June 30.

Mr. KAPLAN. We'll provide that for you in writing, Mr. Chairman. [The information follows:]

FUNDING FOR U.S. MISSION IN IRAQ

As Deputy Secretary of State Armitage and Under Secretary Grossman have testified before the Senate Foreign Relations Committee and House International Relations Committee, the total cost of the U.S. Mission in Iraq for fiscal year 2004 and fiscal year 2005 is currently estimated to be approximately \$1.5 billion, excluding costs of construction of a new embassy. (Please see "Funding Availability for State Department Fiscal Year 2004/05 Operations in Iraq.")

For the fourth quarter of fiscal year 2004, the costs to stand up and operate the U.S. Mission and continue necessary functions of the Coalition Provisional Authority (CPA) will be in the range of \$480 million, including funds to support readying temporary facilities, providing additional Information Technology infrastructure, administrative and personnel support costs, establishing regional State Department teams, and funding a temporary Iraq Relief and Reconstruction Management Organization (IRMO). These costs will be covered through existing funds in CPA's fourth quarter operating budget (\$196 million) available to State as the successor to CPA, the one percent transfer of Iraq Relief and Reconstruction Funds (\$184 million) available under law for operating expenses, and from funds directly appropriated to the Department of State in fiscal year 2003 supplemental appropriations (\$97.3 million).

For fiscal year 2005, the estimated operating cost is approximately \$1 billion, which is exclusive of capital facility costs for a new embassy compound and the Program Contracting Office (PCO). The largest cost components of running the U.S. Mission in fiscal year 2005 are logistics and security. Deputy Secretary of State Armitage together with Deputy Secretary of Defense Wolfowitz testified before the Senate Foreign Relations Committee on May 18 that their expectation is that DOD will continue to supply Logistics Civilian Augmentation Program (LOGCAP) and security support for the new Mission until Ambassador Negroponte and his team have time to assess the actual needs and provide an estimate that can be included as part of a 2005 supplemental request. The annual cost of this support is currently estimated at about \$800 million. The remaining fiscal year 2005 traditional embassy operating costs will be covered through funds requested by the State Department in the fiscal year 2005 budget and any remaining funds carried over from the fourth quarter of fiscal year 2004. State may have to rely on portions of its base Diplomatic and Consular Programs (D&CP) regular operating account to cash flow any interim

requirements until a supplemental is requested in 2005. These estimates continue to be in flux and will be refined as we work through the transition process.

With respect to the new permanent embassy, the State Department has begun the planning process for a new compound in Baghdad and has selected a site for construction. The Department continues to work to develop requirements, such as determining the appropriate number of staff for the facility, so that when we do come forward with a cost estimate, it is based on the right size and build for the Department's long term plans. In the interim, the Department is in the process of renovating three facilities (a chancery building, an embassy annex, and the ambassador's residence) in the Green Zone, using funds appropriated for this purpose in the Iraq Reconstruction supplemental.

FUNDING AVAILABILITY FOR STATE DEPARTMENT FISCAL YEAR 2004/05 OPERATIONS IN IRAQ

[In millions of dollars]

	Amount
Identified State Resources/Support for Iraq	
Fiscal Year 2005 State Budget Request	46.2
Fiscal Year 2003 War Supplemental	97.3
Fiscal Year 2004 4th Quarter CPA operating expenses	195.8
IRRF up to 1 percent transfer for "Operating Expenses" of the CPA	184.4
Total State Resources Fiscal Year 2004/2005	523.7
Estimate of State Fiscal Year 2004/05 U.S. Mission Costs for Iraq	
Fiscal Year 2004 Embassy Operations (including regional teams, security, and logistics)	482.5
Fiscal Year 2005:	
Embassy Operations (excluding security and logistics)	191.4
Security and Logistics	¹ 817.2
Total	1,008.6
Fiscal Year 2004/2005 Total estimated U.S. Mission Costs	1,491.1

¹ DOD will provide security and logistics support.

State Operations

The fiscal year 2005 State budget includes \$46.2 million in Diplomatic and Consular Programs (D&CP) for operations, security, and personnel funding to support activities in Iraq. This includes: \$29 million to cover 120 staff positions being moved to the Iraq mission; \$10 million for basic Baghdad mission operations; and \$7.2 for security costs.

\$97.3 million from the fiscal year 2003 War Supplemental is available in fiscal year 2004 and 2005 for embassy facilities and set-up costs—including \$35.8 million for initial operating and security costs and \$61.5 million for temporary embassy facilities.

Of CPA's operating expenses, \$195.8 million has been apportioned to the 4th quarter fiscal year 2004 and should be available to the State Department after the June 30th transition, based on current apportionment schedules.

Pursuant to the fiscal year 2004 Supplemental, up to 1 percent of the Iraq Relief and Reconstruction Fund (IRRF) (\$184.4 million) may be transferred to CPA or its successor organization for operating expenses. In addition, the fiscal year 2004 Supplemental language provides that up to 10 percent of IRRF funds that are obligated, managed, or administered by agencies (other than CPA) can be made available to pay for administrative expenses.

DOD support for Security and Logistics

The largest cost components for the fiscal year 2005 Iraq mission are logistics and security. It is the expectation that DOD will continue to cover logistics and security contracts for its uniformed and civilian personnel and the Iraq mission until the State Department has time to assess the actual needs and provide an estimate that can be included in a 2005 supplemental request.

If necessary, State may rely on portions of its fiscal year 2005 base Diplomatic and Consular Programs (D&CP) regular operating account of \$3.626 billion (excludes D&CP worldwide security funding) to cash flow any interim requirements in

fiscal year 2005 until other funding becomes available. Approximately 45 percent of State's D&CP regular operating funds are apportioned to the 3rd and 4th quarters.

Senator GREGG. My point was that they're not expecting any of this \$25 billion to be used for that, so they're looking for some—there's unaccounted-for funds which are going to be used to accomplish that, which I'm still trying to figure out where those funds are and how we're going to get them.

Mr. KAPLAN. If I may, Senator, in the period beginning in fiscal year 2005 on October 1, we expect that the Department of Defense, until the fiscal year 2005 supplemental is enacted, will continue to cover the costs that it's currently incurring with respect to security and to the logistics contract, which the Department of Defense currently owns.

Senator GREGG. I'm not sure the State Department understands it in those terms and I'd want to make sure everybody's on the same page here. That's why I would like to get a written statement from OMB as to what your understanding is and I intend to vet it with the State Department to see if that's their understanding.

And don't forget we've got \$1 billion sitting somewhere to build an Embassy, which I haven't seen the money for yet. It's not in the budget.

Mr. KAPLAN. That's correct, Senator.

Senator STEVENS. That's an additional aspect to this transition, and I hope that you'll ask OMB to cover the full scope of that transition, not just Defense activities, but under possible—under this reserve account, but where we're going to get the money to continue the activities that previously have been done by Mr. Bremer's accounts.

RELEASE OF FUNDS FROM \$25 BILLION RESERVE

I would like to ask this question, and that is how would this contingency emergency reserve fund really operate in terms of the drawdown? Do you anticipate making requests for bulk transfers or is this going to be a line-by-line operational account that we are asked to release?

Mr. LANZILLOTTA. Senator, we would plan to handle this much similar to how we do the IFF. Right now it requires a 5-day notification of a move out of the transfer out of the account. We do quarterly reports and then we do spot reporting as requested as to how these transfers occur.

Senator STEVENS. Well, there are two differences from the IFF account under this request. These funds are specifically only for Iraq and Afghanistan. The IFF language allows that money to be used for the global war on terrorism. Second, this request two actions by the President. One is the transmission of the official budget request, and second, a designation that the amount is emergency essential to support the activities in Iraq and Afghanistan.

Now, again though, are we looking for bulk money to be transferred going in from the fund to another activity or are we going to look at this on a line-by-line basis?

Mr. LANZILLOTTA. We would look at this fund, you're correct, Mr. Chairman, as far as the restrictions and the framework that this fund would be used for.

Senator STEVENS. Totally military requirements now?

Mr. LANZILLOTTA. Totally military requirements for Iraq, Afghanistan, to support the operational costs that are associated with those operations and some force protection needs. We outlined as to which accounts that we believe that money should go to up to, I think \$14 billion up to Army O&M account. The procedure I was outlining is what the current procedure is that we have in place as far as notification to Congress as to when these transfers occur.

FLEXIBILITY FOR USE OF THE \$25 BILLION

Senator STEVENS. Let's make sure—the request is written so that the funds may be available to transfer to service operations and maintenance accounts, and \$14 billion for O&M Army, \$1 billion for O&M Navy, \$2 billion for O&M Marine Corps, \$1 billion for O&M Air Force, \$2 billion for O&M Defense-wide, and up to \$5 billion for other DOD appropriations that might be supplemented. The language is permissive, not binding.

Now, what I want to know is, what is binding about this? Can you send us a request you want the whole \$25 billion transferred without any strings attached?

Mr. LANZILLOTTA. Senator, when we—the fund is set up, those accounts specifically for the O&M accounts because we know those are the accounts that are under the most stress. Where we were looking for some flexibility was in the centralized piece of it or down at the bottom was what we normally refer to as the IFF portion. And what we wanted the flexibility for was to address force protection needs, specifically like Humvees, we were recently made aware of the Army requirement for a possible other 3,000 up-armored Humvees.

Senator STEVENS. I'm over on my time, but some of my colleagues have said that you're asking us to give you a blank check because that word "may" in this provision. Now, I would intend to change that to say it shall be used only for these accounts except for the \$5 billion. Are you going to object to that?

Mr. LANZILLOTTA. As long as—no, Senator. What we would like to have though is the general transfer authority necessary that if the situation would change on the ground, we would have the sufficient flexibility with notification to Congress to make those changes.

Senator STEVENS. The food and forage concept applies to the funds we give you for the Department of Defense. If you run into trouble you can use any funds you've got. What we're talking about is this reserve fund now. Can you take it and put it wherever you want, just notify us we want \$25 billion and we're going to put it wherever you want? That's a blank check theory and it's something we're going to run into in the floor and I don't like to run into it. So I intend to change that word to "shall" so that there's no blank check involved. You shall use this money for those accounts. You have broad discretion, \$5 billion for other appropriations. Now, I think that's sufficient under this. I hope you agree.

Mr. LANZILLOTTA. Yes, Mr. Chairman.

Senator STEVENS. Thank you. Senator Inouye.

Senator BYRD. Mr. Chairman, might I ask a question along the line that you—

Senator STEVENS. Yes, sir. If Senator Inouye agrees.

Senator BYRD. He said yes in answer to your question. We don't know what that means.

Senator STEVENS. It means that we will change the word "may" to "shall" and they shall use these funds only as designated in the request for those specific funds and there is no possibility of asking for a blank check, take all the amounts and do what they want. They must use it either for O&M account up to \$14 billion, \$1 billion for the Navy, \$2 billion for Marine Corps, \$1 billion for Air Force, \$2 billion for the Defense-wide, and there's \$5 billion for other DOD appropriations that they can use that within the Department as they see fit, but it still is limited to Iran—pardon me, to Iraq and Afghanistan.

Senator BYRD. I fully agree and I compliment you and our ranking member. I just wasn't sure what the witness meant when he just said yes.

Senator STEVENS. Well, I hope he agreed with me, Senator.

Mr. LANZILLOTTA. Correct, Mr. Chairman.

Senator BYRD. Now, what does that mean?

Mr. LANZILLOTTA. There were specific accounts laid out with specific dollar amounts that Mr. Chairman has said that this—we change from discretionary authority to "shall." He would leave a small IFF-type account at the bottom that we would be able to use to address our force protection needs or a changing situation on the ground.

Senator BYRD. Thank you, Mr. Chairman.

Senator STEVENS. Senator Inouye.

ROLE PLAYED BY THE MILITARY SERVICES

Senator INOUE. Yes, sir. I'm still concerned about the process being used to develop this request. I've been told that the services had very little to do with the final determination of the size and purpose of this supplemental fund. What role do you permit the services? Do they play any role?

Mr. LANZILLOTTA. Senator, when we developed the mid-year review process, the services played an active role in every step of the situation to develop the requirements for 2004. When we developed the reserve account as it was presented by the administration to Congress, this was simply meant to address the Army's need and the Department's need to relieve or mitigate the risk associated with cash flowing these accounts.

The services have been briefed every step of the way to include service secretaries, service chiefs, on the actions taken, and they have been able to play and provide their input.

MID-YEAR REVIEW

General PACE. Senator, if I might add, I was in the room during the mid-year review. The way Mr. Lanzillotta just described it is exactly accurate. There was a general discussion in the room based on what we learned in the mid-year review that it looked like it would be prudent to have a contingency fund as we got to the beginning of fiscal year 2005 so that we could stabilize the way we were spending on the force, stabilize training, and be able to continue operations. So that discussion did take place.

With regard to the specific numbers of dollars that would be asked for, sir, I was not privy to that particular conversation.

Senator INOUE. So you're telling the committee that the service chiefs were well aware as to size and the purpose of these funds?

General PACE. No, I did not say that, sir. What I said was the service chiefs were very much aware and part of the discussion with the Secretary of Defense that said we should come forward if we could earlier than February, March 2005 and get some kind of insurance policy for our operations. The exact size of that was not discussed in the meetings that I was.

Mr. LANZILLOTTA. Can I clarify that point, Senator?

Senator INOUE. Yes, sir.

Mr. LANZILLOTTA. The services fully participated in developing what the requirements were for 2004 and 2005. When we developed what the size of this number should be, we have—it was kind of done at a technical level with what we call a cost team, and on the cost team there's representatives from the services, there's representatives from the joint staff that they use and they together and they try to cost out what the impact of the operations would be next year. And we looked at that to see, based on what this cost team had put together from the services and the joint staff that participate, as to what that number ought to be to get us to the point where we thought that we could get a supplemental submitted and approved by the Congress. The exact number of the \$25 billion was never taken to the service chiefs.

General PACE. But the service chiefs were aware of that once the number was developed and the chairman was told by the Secretary it looked like it would be about \$25 billion. The chairman shared that with the rest of the Joint Chiefs in the tank and that was very, very satisfactory to all of us.

RECRUITING AND RETENTION

Senator INOUE. I have just one more question. Can you provide this committee at this time on the numbers involved in recruiting and retention?

General PACE. Sir, I can take for the record the exact numbers. I can tell you, sir, that on the active side of the house for recruiting we are meeting our goals, for retention we are meeting our goals. On the Reserve side, the last numbers I saw, recruiting were off by 1 or 2 percent, retention was off by 1 or 2 percent. National Guard right now, the Air National Guard, the last number I saw recruiting was off about 23 percent, but I can get you the exact numbers, sir.

[The information follows:]

FISCAL YEAR 2004 RECRUITING STATISTICS (THROUGH APRIL 30, 2004)

Service	Percent of goal
Active:	
Army	100
Navy	100
Marine Corps	101
Air Force	103
Reserve:	
Army National Guard	93

FISCAL YEAR 2004 RECRUITING STATISTICS (THROUGH APRIL 30, 2004)—Continued

Service	Percent of goal
Army Reserve	95
Naval Reserve	109
Marine Corps Reserve	109
Air National Guard	77
Air Force Reserve	92

Senator INOUE. So you're satisfied with those numbers?

General PACE. No. I'm satisfied that those are accurate numbers, sir, not satisfied with what the numbers portend. We need to be very attentive to the way that we're using especially our Guard and Reserve. We need to ensure that when we ask these great Americans to put their lives on hold and serve their country that the mission we are giving them is a valid mission, that we are up-front with them as far as when we are going to call them back to duty, how long we are going to keep them on active duty, when they will be returned to their employers, and that we do as quickly as we can the rebalance of the force so that we do not rely on the Reserves for things that Active Forces should be doing.

Senator INOUE. I thank you.

Senator BYRD. May I ask the Senator to yield?

Senator STEVENS. Senator, you're recognized for 5 minutes.

Senator BYRD. I would ask the Senator from Hawaii, what were the Army and Guard statistics? I don't believe I heard them.

General PACE. Sir, I don't have in my head the exact number. I believe the Army Guard is about 2 or 3 percent. I'm not positive of that. I do know that the Air Guard is off about 23 percent. And what I said to Senator Inouye, sir, is that I would get for the record the exact number so you have it correct.

Senator BYRD. How long does it take to get that for the record?

General PACE. Sir, we should be able to get that today.

Senator BYRD. Mr. Chairman, I think it would be good if we knew those figures today.

Senator STEVENS. Yes, Senator, we'd be happy to have them today as requested, Senator Byrd. The numbers for the Air Guard remind me of the numbers at the time of the Persian Gulf war. You remember, Senator Inouye, we were over and met with them. Those fell off at that time too. The Air Guard was particularly disturbed at that time as I recall. But we would like to have the numbers if you'll provide them.

General PACE. Yes, sir. Can do.

Senator STEVENS. Senator, you're recognized for 5 minutes.

MONTHLY COSTS OF OPERATIONS

Senator BYRD. General Pace, what is the current monthly cost of operations in Iraq and do you expect the anticipated spike in violence over the coming weeks to affect that cost?

General PACE. Sir, I'd like to turn to Mr. Lanzillotta for the answer to the exact cost. I have a number in my head, but I know he knows exactly.

To answer your second question, we do expect violence to increase between now and June 30 as it already has in April and May, because our enemies fully understand that transfer of sov-

ereignty back to the Iraqi people and their ability as an Iraqi people then to hold elections later on this year, to write their own constitution, to have a representative form of government, goes at the very heart of what the terrorists are trying to do, which is to stifle freedom.

Senator BYRD. You're going a little beyond my question, but thank you. Do you have any concern if the transfer—

Senator STEVENS. Senator, Mr. Lanzillotta had answers to your question, the first part of your question, if you'd like to hear them.

Senator BYRD. Yes, thank you for calling that omission on my part.

Mr. LANZILLOTTA. Senator, our current operational tempo in Iraq is about \$4 billion a month. We expect with the increase of troops that were recently announced that that will jump each month between \$120 million to \$160 million, depending on the rotation of the troops that are coming out there each month.

Senator STEVENS. \$160 million now you're talking about?

Mr. LANZILLOTTA. Correct, Mr. Chairman. Now, for Afghanistan, our current operational tempo rate is about \$700 million. It changes on a monthly basis.

ACCESS TO THE CONTINGENT EMERGENCY RESERVE FUND IN FISCAL
YEAR 2004

Senator BYRD. Do you have any concern if the transition is bloodier than anticipated that some of this \$25 billion will be needed before the end of this fiscal year?

Mr. KAPLAN. Senator, the Department of Defense has conducted their mid-year execution review for fiscal year 2004 and as I understand it, the conclusion of that review is that based on the needs as we know them today, with sufficient transfer authority, general transfer authority in 2004, the Department will be able to cover those needs as we know them today.

To your question, Senator, if the situation on the ground in the next few months were to be more violent than even General Pace described, then having some portion of the reserve available as an insurance policy in 2004, I expect would provide the services additional comfort.

Senator STEVENS. Would the Senator yield there?

Senator BYRD. Yes.

Senator STEVENS. It would be my intention to ask the committee to provide that whatever funds are available for this IFF would be available upon enactment just to make sure we don't face another request for the balance of this year. So we would make these funds available upon enactment in the event such emergency would occur.

Senator BYRD. Well, Mr. Chairman, I thank you for that. I am concerned about this IFF, what that means, what additional flexibilities that may give.

Senator STEVENS. My proposal would only affect—only impact the effective date of the availability of these funds. As requested, they would be available on October 1. Under my amendment, they would be available from the date of the enactment of this bill, just the fund itself, not the whole 2005 defense funds, but just for this

reserve fund, the reserve would be there as soon as Congress enacts the bill, or passes the bill and the President signs it.

Senator BYRD. When the term IFF is used, does that mean that there may be some needs beyond those pertaining to Iraq and Afghanistan?

Senator STEVENS. This bill—this fund applies only to Iraq and Afghanistan, Senator.

Senator BYRD. I thank you, Mr. Chairman.

Senator STEVENS. I correct that. There's \$5 billion that could be allocated to any one of the services at the request of the President with the approval of Congress.

Senator BYRD. But would that—would the committee have the understanding that anything that goes beyond Afghanistan and Iraq comes back to this committee?

Senator STEVENS. That's correct. That's my understanding. The request for the reserve is limited to Iraq and Afghanistan, but \$5 billion could be used throughout the services again without regard to their limitations of the request for a specific service.

Senator BYRD. But—I'm sorry if I'm taking too much time—I want to be sure that none of that money can be used for making wars elsewhere. I want that understood that the funds would be used only for Afghanistan and Iraq.

Senator STEVENS. It specifically states in the bill that it's for an emergency essential to support activities and agencies in Iraq or Afghanistan, period. Even the \$5 billion for the Defense-wide and classified programs are limited to Iraq and Afghanistan.

Senator BYRD. Mr. Chairman, that answers my question. Thank you.

Senator STEVENS. Senator, I used some of your time, so if you wish to have a few more minutes, please proceed.

Senator BYRD. Thank you. General Pace, I'm growing increasingly concerned about the continuing and possibly growing insurgency in Afghanistan. That's where the first war began. That's the war I fully support. Four American military personnel were reported killed in Afghanistan in recent days as were four Afghan soldiers. The news report I read described the toll on the U.S.-led coalition forces in Afghanistan as among the worst for a single attack since the United States invaded Afghanistan in 2001. This is a troubling development. Afghanistan seems to have become the forgotten war. And yet reports like this remind us that it is still a war and that American military personnel are continuing to fight and die there.

Would you give us an assessment of the current situation in Afghanistan? Let me just finish this question. At the end of April, General Abizaid reported that there were approximately 20,000 U.S. military personnel in Afghanistan as a result of increased offensive operations and troop rotations. That level is about twice what the U.S. military presence in Afghanistan had been. Approximately—here's my question—how many U.S. troops are currently in Afghanistan and how many coalition forces? And then I asked an earlier question which you won't have time for right now, Mr. Chairman, I want General Pace to give us an assessment of the current situation in Afghanistan whenever you see that we have time without imposing on the other members. I don't want to im-

pose on their time. But specifically, approximately how many U.S. troops are currently in Afghanistan, how many coalition forces?

TROOPS IN AFGHANISTAN

General PACE. Sir, we have approximately 19,000 U.S. troops in Afghanistan right now. We have approximately 8,000 coalition troops in Afghanistan. The four soldiers you mentioned who were killed in action in the past week were in a vehicle that hit a mine. Most of the U.S. forces are in the south, southeast part of Afghanistan operating in the provinces along the Pakistan border and are working in cooperation with the forces from Pakistan as they work—as the Pakistan forces work in Pakistan.

Senator BYRD. Thank you, Mr. Chairman.

Senator STEVENS. Thank you. Senator Cochran.

Senator COCHRAN. Mr. Chairman, the Memorial Day break gave us all an opportunity to go back to our States and I had the good fortune of being able to visit a new defense manufacturing facility in Stone County, Mississippi, which is assembling and installing on Bradley fighting vehicles a reactive armor plate that permits the safeguarding of these vehicles and the occupants of these vehicles against rocket-propelled grenade attacks. It was a very interesting experience for me and it shows that we have technologies evolving and are using technologies that are evolving now to make it safer for our troops and safer for our equipment, less costly for equipment that would have otherwise been destroyed by these rocket-propelled grenade devices.

My question is, I assume from the answers to your questions from Senator Stevens and others that the funds in the \$5 billion account may very well be used for helping to ensure that we're taking advantage of emerging technologies and new developments in defensive mechanisms to protect our forces in the field in Afghanistan and in Iraq. Is that correct?

General PACE. Sir, that is correct.

Senator COCHRAN. I have no other questions, Mr. Chairman.

Senator STEVENS. Thank you very much. Senator Domenici.

Senator DOMENICI. Thank you, Mr. Chairman. I have one technical question and then I'd like the General to talk about another issue. Mr.—how do you say it—Lanzillotta. I should know that, I should know how to say that. They've said mine wrong so many times I tried to say yours right, but I couldn't.

DOD NEED FOR GREATER GENERAL TRANSFER AUTHORITY

Let me ask you, it seems to me that even with what we have been talking about that you may need some general transfer authority in order to make this work. Can you discuss with me that issue and tell us what you think about the necessity for that?

Mr. LANZILLOTTA. Thank you, Senator. We have completed—are in the process of completing our mid-year review, and hopefully in the next couple of weeks we'll have our annual omnibus reprogramming that we'd normally do up to the Hill. We feel that we're going to be short in general transfer authority somewhere in the neighborhood of \$1 to \$2 billion.

The problem is we were provided general transfer authority in the supplemental and then we were provided general transfer au-

thority, but the combination of the two doesn't make up to allow us to transfer the money where we have assets available from under execution to where the bills are. To complete this year though, we will need between \$1 to \$2 billion of general transfer authority.

Senator DOMENICI. Thank you very much. General, the most startling thing to me that's happened with reference to America is what happened in Saudi Arabia with terrorists taking over a building within the compound for civilian workers in the oil patch. I think it indicates, I regret to say so, but I think it indicates that the Saudi oil is vulnerable, that the Saudi kingdom is vulnerable. I'm very, very worried about it. As a matter of fact, I believe that this generation serving right now is going to go down in history as the worst generation instead of the best in terms of the energy situation.

If in fact we do not do anything about the situation of an energy policy, I clearly believe that some of us won't be here, but some will, when America will be brought to her knees without a terrorist firing a shot in America if we get a substantial oil disruption. How many remember the Iranian disruption? We were in gas lines. In Brooklyn, they shot each other, remember, Senator Byrd, because somebody went around the line and somebody had a pistol and got mad and early in the morning, 5 o'clock, they were waiting in gas lines. That was a little tiny disruption. This one could be a monster disruption from what I see.

Now, General, you can't fix the world and you can't fix Saudi Arabian anti-terrorist forces, but I guarantee you that Iraq won't work unless the police and military of the Iraqis are ready. Can you tell us, how is the training of these men and women from Iraq? How is it going? What's your assessment? Are they really getting better? We're talking about turning the government over. Will they be ready to take a significant portion of the load, or will we still be almost exclusively in charge? Now, I think they've been doing better. I read even, in the biased press, that some of the trained Iraqis are involved in a number of these security situations—putting out the fires, et cetera. Could you just address this for us? I think it's terrifically important.

General PACE. Sir, they have been doing better, but we can be doing better in helping them to get better. In the Iraqi Civil Defense Corps (ICDC), for example, the forces that are—

Senator DOMENICI. What is ICDC?

HOME SECURITY FORCES

General PACE. The home security forces, battalion-size organizations that we're going to have about 36 of, to a tune of about 40,000 across the entire country. Their equipment right now is on order but not yet in theater. Their training is being done by local U.S. forces, but we need to be working first, as we are, and with Congress' support, to get the equipment to them more quickly, to train alongside them, and then to work alongside them in the field.

One major lesson from the last month is that understandably Iraqis do not want to fight for a foreign power no matter who that is. They want to fight for their own government. And with the stand up, the announcement and the stand up of Prime Minister

Alawi and the rest of the interim Iraqi Government, these Iraqi soldiers will now have an Iraqi Government to respond to, an Iraqi flag to fight under, and have a purpose for which they can lend their energies.

But we do need to do better with the five forces, the civil defense corps, the new Iraqi army, the police force, those that are providing protection on the fixed facilities like oil fields and the like, and the border guard. We need to increase that, and in fact, there is a general officer who was just confirmed last week by the Senate to go over and take charge of that entire Iraqi security force operation for us. He is going over this week.

Senator DOMENICI. What's his name?

General PACE. That is Lieutenant General Petraeus, Dave Petraeus. General Petraeus was a Major General obviously until about 2 weeks ago. He was the 101st Airborne Division commander up in Mosul, did a fantastic job there for 1 year, has been home about 2 or 3 months and has been selected to go back because of his demonstrated capabilities in the battlefield to help us reorganize all parts of the Iraqi security force.

Senator DOMENICI. Mr. Chairman, I would like to say to you and Senator Inouye that I believe this is the most important issue, training the forces of Iraq. None of this is going to work if they are not properly trained and equipped. I believe we ought to push the military to get that going as fast as possible and spend as much money as necessary to see that it works. In fact, it is not so good if they can't get their equipment. Why will they believe us if in fact we train them and tell them they are in charge and then we don't have their equipment?

So, General, I know you're not in charge, but I hope that I speak for these Senators. There is no way to win this without the Iraqis becoming trained and taking over, or having a plan for them to take over. Thank you, Mr. Chairman.

Senator STEVENS. Well, Senator, as I understand this proposal, if the money was used in Iraq by the Department of Defense to train people of Iraqi descent, that would be consistent with the request. Senator Dorgan.

Senator DORGAN. Mr. Chairman, thank you very much. I regret I was late, delayed by another committee, but I have read your testimony. First, let me say I don't think there's anyone on this subcommittee that will ever withhold the resources that are needed to carry out your missions, and I think the evidence is the chairman and the ranking member and every member of this subcommittee wants to support that which is necessary for our troops who are doing what this country has asked them to do.

I do want to, however, say that this—that the \$25 billion reserve fund is an unusual request I think in the scheme of things over many years, and it is, according to your testimony, to provide flexibility, and you urge us to avoid designating a portion of the fund for specific investment programs because that would undermine the purpose of the fund, which I guess is flexibility.

It seems to me that we would have some basic knowledge of knowing what our needs are going to be for the next 3 months, 6 months, or 12 months. And let me come to the—in the last year's Defense appropriations bill, we said this, section 8139, it is the

sense of the Senate that, one, any requests for funds for a fiscal year for an ongoing overseas military operation, including operations in Afghanistan and Iraq, should be included in the annual budget of the President for such fiscal year as submitted to Congress under section 1105 of the U.S. Code.

ESTIMATING FISCAL YEAR 2005 INCREMENTAL COSTS

I still do not understand why we do not have some better notion of what the expenditure needs are going to be for the coming fiscal year, and perhaps we can talk just a bit about that. Can you respond to that question? Obviously you have not—you have ignored the sense of the Senate provision that was in last year's appropriations bill, but explain to me why there's not some basic attempt to try to tell us and the American people what this cost will be in the coming fiscal year.

Mr. LANZILLOTTA. Senator, let me try. What the attempt was, and what I meant on that statement was, we are using this reserve fund to pay for our operational costs associated with operations in Iraq and Afghanistan. If that money is diverted toward other things outside of those operational costs, then that undermines the purpose of trying to mitigate the risk associated with cash flow and the services and the commanders' need to cash flow these accounts.

We fully intend to address these other issues as far as wear and tear and equipment, other requirements associated, in a full supplemental, in which case we would submit that to the administration and up to the Hill for consideration. As far as being able to, last February, include the cost of the operations in this year's budget, we're in this situation that we had an early supplemental this year in 2004 and the service budgets for fiscal year 2006 would be due to us in August. To project the costs for 2006 would be difficult because the situation on the ground changes and the reality changes on the ground. And so what we are here for with this reserve fund is to be able to address that changing situation.

Some of the changes over the last couple of months have been forced deployment. We've added—or the combatant commanders have needed for additional troops. We have had to put those additional troops on the ground to meet those needs. That was an assumption that wasn't in the supplemental and that's why we're basically here today.

Senator DORGAN. You make a fair point with respect to 2006, but what do you expect our costs to be in 2005? I mean, do you just anticipate that we'll just keep going along and every time money is needed we'll just do an emergency supplemental? I'm just asking if we have some basis for understanding what our costs will be in the coming fiscal year for these operations?

Mr. LANZILLOTTA. I think that we've been forthcoming as to what the current operation costs, as far as what our burn rates have been. The problem that we have right now is the unforecasted things that happen on the ground to be able to adjust to meet those. Even when we finished 2004, we found significant problems in trying to get our arms around what the requirements on the ground versus the assets that were made available in 2004 on an early supplemental. What we—

Senator DORGAN. I'm sorry, I don't mean to interrupt you. Go ahead.

Mr. LANZILLOTTA. We don't have the data or the accuracy to be able to project that far ahead as to what possibly could happen. And then we get into a situation where we need to come back and ask for additional general transfer authority, we need to ask for reserve funds.

Senator DORGAN. But it seems to me it's a function of planning. If our so-called burn rate is now roughly \$5 billion a month, that's \$60 billion a year and you're asking for \$25 billion as a contingency fund. Does that mean that next spring we'll be asked for \$35 billion in emergency supplemental monies or more?

Senator STEVENS. This is the Senator's last question.

Senator DORGAN. I wonder if the witness could answer.

Mr. KAPLAN. Senator, if I may, our expectation is we would like not to have to ask for a contingent supplemental in 2005—that's why we've planned to come to the Congress at the beginning of calendar year 2005 when we actually do have more reliable and precise estimates and the best sense of how things have developed in the intervening months. Calendar year 2005 obviously is many months away, and as we've seen just in the last couple months, circumstances on the ground in Iraq do continue to evolve. Obviously they've evolved in a more violent fashion in the last couple months. The hope is, as our military engages with Iraqi forces and continues the acceleration of the training, equipping, and enlisting the Iraqis in providing their own security, the hope is that the needs as we get into 2005 will diminish. Obviously the contingent emergency reserve fund is there until we get to calendar year 2005 and the supplemental to provide the insurance if operations don't diminish or if they continue at the increased operational rate that we've experienced in the last couple months and that General Pace has spoken about.

Senator STEVENS. Thank you, Senator. For the Senator's information, I would oppose the Senator's amendment. We have operated during this period in Afghanistan and Iraq under the concept that we do receive supplementals. To my knowledge, the administration has not used the food and forage fund concept yet in these two actions. We have used supplementals as they've been presented.

The Iraqi Freedom Fund, which was created in 2003 as a supplemental and was again used in the 2004 supplemental, it really has financial flexibility and congressional oversight. I asked for some rundown of what has happened. Seventeen billion dollars has been provided in the IFF in the past, and about \$944 million remains available to the Department of Defense, and we expect that to be spent during the balance of 2004. The IFF has a 5-day advance notification requirement before DOD can transfer funds. To date, DOD has sent us 33 IFF notifications accounting for every dollar that's been spent. In a couple of cases, the DOD sought prior approval where required for a procurement new start. As allowed by law and to prudently manage funds, DOD also transferred money back into the IFF in order to keep the excess funds from lapsing at the end of the last fiscal year.

Now, I have some general questions to ask Mr. Lanzillotta about this. How has the—

Senator DORGAN. Mr. Chairman, might I clarify, I was not suggesting an amendment, and all I did was read current law that was in the 2004 Defense Appropriations Act, so I'm not proposing an amendment. I was just reading the sense of the Senate that was in the appropriations act last year.

Senator STEVENS. That's the sense of the Senate, but I misunderstood. I thought the Senator was going to present that as an amendment.

HOW HAS FISCAL YEAR 2003 AND 2004 SUPPLEMENTALS BEEN SPENT?

I asked Mr. Lanzillotta, how has the fiscal year 2003/2004 Iraqi Freedom Fund been spent in your opinion?

Mr. LANZILLOTTA. Mr. Chairman, out of the \$65 billion that was made available in 2004, we've obligated \$32.1 billion, \$25 billion in Iraq, \$4.5 billion in Afghanistan, and \$2.1 billion in Noble Eagle, which is stateside mobilization of Guard and Reserve. In 2003, we had two pieces of the supplemental. We had the \$9.97 billion that was provided in an omnibus appropriations in January and the \$62.5 billion that was provided in the supplemental for a total of \$72 billion. Of that, we've spent \$45.6 billion in Iraq, \$12.7 billion in Afghanistan, and \$6.5 billion in Operation Noble Eagle. That's for \$64.8 billion. It doesn't include the intel numbers.

Senator STEVENS. Do you believe that the flexibility provided by the IFF has been important to the operations of your Department from a financial point of view?

Mr. LANZILLOTTA. Yes, Mr. Chairman, I do. What it has allowed us to do, and it has been mentioned already, is it allowed us to react to some force protection requirements. When we submitted the supplemental, we had force protection requirements in there for up-armored Humvees. Since then, that requirement has changed about three times, in which case the flexibility in the IFF has allowed us to meet that requirement to transfer money into Other Procurement, Army for the Army to continue to build up-armored Humvees at a rate sufficient to meet their requirements.

Senator STEVENS. General Pace, in response to a request for information how this fund was, for examples of how it was spent for force protection equipment like the body armor, I was also informed that it was used to up-armor Humvees and it was used to augment the monies that we provided to destroy captured Iraqi ammunition, to deal with the ammunition dumps. Can you tell us how important it is to have this fund available for commanders in the field so they can respond quickly to changes and not have to go back through the process of budget approval right through the Department over to OMB and to Congress?

General PACE. Sir, it is very important for all the reasons you mentioned. We have about 178,000 new sets of body armor out there, one for each person in theater. You have building toward—almost 4,000 up-armored Humvees have been paid for out of this fund. You have about another 8,000 sets of armor that's hung on the sides of other vehicles and these were made possible because of the flexibilities inherent in the Iraqi Freedom Fund. Further, flexibilities like contingency emergency responds program (CERP)

where you have the ability for commanders to use that money in the field, they do not have to come back to the Army, for example, asking Army to reprogram some money, which means that Army then can continue to train the soldiers back here and repair the equipment back here that needs to go back on the next rotation. So all these things help provide stability across the force.

Senator STEVENS. The committee knows I publicly apologized to Senator Feinstein for the actions that I recommended in limiting the monies available to deal with the ammunition dumps. When we discovered how serious they were, I was very pleased to see that you had used the reserve fund to deal with those ammunition dumps. If we approve this reserve fund, is that the type of action that you would use the money for in the event we discover some more of those dumps? By the way, I don't know if you know, we've discovered some 8,500 dumps so far. There's more ammunition, I think, in Iraq than the rest of the world stacked up in the ground openly. I really support any activity that will deal with those, although I understand it's almost an impossible task right now with the terrorism that's going on. Could you comment on that, General?

General PACE. Sir, it is the exact kind of thing that we would do with this money. The numbers today are, we have discovered over 300,000 short tons of ammunition in today over 9,500 locations. They have been compressed now down to 63 locations. We've destroyed about 150,000 short tons, but there's another 150,000 short tons to go. But that 300,000 tons that we found is estimated to be about one-half of the 600,000 tons that was believed to be in the country when we began the war.

Senator STEVENS. It could be out there buried, hidden. There's still stuff that may be found that you would need money immediately to deal with, right?

General PACE. Absolutely, yes, sir.

Senator STEVENS. So I commend you for that and I commend this committee. The concept of a reserve fund to deal with issues, emergencies issues, Mr. Lanzillotta, these are emergency funds, right? You don't use them for routine activities of any one of the services in Iraq?

Mr. LANZILLOTTA. Correct, Mr. Chairman.

Senator STEVENS. Senator Inouye.

LIKELY CHANGES IN FUNDING REQUIREMENT

Senator INOUE. With the recent United Nations' involvement in the establishment of this interim government, and with the selection of a president, prime minister, et cetera, are you sufficiently optimistic that the funding requirement may come down in the next 18 months?

Mr. LANZILLOTTA. Senator, to tell you the truth, I don't know in the next 18 months what will happen.

Senator STEVENS. When you sat here, I'm assuming you're telling the truth all the time.

Mr. LANZILLOTTA. I stand corrected. In the next 18 months, my personal opinion is I have no idea what this requirement will do. I've watched this requirement change on a dime, and that is what makes a prediction of a supplemental in 2005 so hard, because just finishing 2004 the requirements have changed so dramatically. So

I am not optimistic that I know what that number is in 2005 and that the requirement will come down.

Senator INOUE. But do you look upon the new developments with optimism?

Mr. LANZILLOTTA. Senator, I certainly do. I certainly think that the transition to the Iraqi people eventually will stabilize and is the only way to stabilize that country.

Senator INOUE. Thank you.

Senator STEVENS. Senator Byrd.

Senator BYRD. Thank you. What about those who have said, hell no, we won't go? How much confidence can we have in the Iraqis to fight Iraqis in order to bring security and stability to the country? Hell no, we won't go. Does the witness understand my question? General Pace.

IRAQI GOVERNMENT

General PACE. I understand it. I don't know how it's said in Arabic, but I understand what you just said in English. I believe that Iraqi young men led by Iraqi leaders serving an Iraqi Government that is selected, elected by the Iraqi people, that those young men will serve that government, will rally around their flag, will do the right thing for their government. So I am optimistic about the announcements that have been made over the last couple of days about the progress in standing up a new government.

Senator BYRD. General Pace, my office has recently begun to hear reports from my constituents that our troops in Iraq will soon have their rest and relaxation (R&R) leaves substantially reduced. This R&R leave, which allows troops to return home for up to 2 weeks, has been critical to military families who have been forced to deal with the deployment of a family member to Iraq for 1 year or more. Are these reports accurate? Is there now or will there soon be a cutback in the R&R leave for our troops in Iraq?

General PACE. Those reports are not accurate. There will not be a cutback, sir.

Senator BYRD. So there's—there will not be a cutback in the R&R leave for our troops in Iraq?

General PACE. That is correct, sir. A soldier who gets assigned to Iraq for 1 year is given the opportunity to take a R&R about midway through his or her tour.

Senator BYRD. When can our troops expect their leave to be restored?

General PACE. Yesterday, sir, because it wasn't taken away.

Senator BYRD. I beg the witness to pardon.

General PACE. I'm sorry, sir. You said when could it be restored. Because I believe that it never was taken away, sir, the answer is yesterday or the day before, because it never was taken away.

Senator BYRD. In other words then, my office has been incorrectly informed with respect to the report that I earlier alluded to, namely that our troops in Iraq will soon have their rest and relaxation leaves substantially reduced?

General PACE. They will not have their rest and leave reduced, sir.

Senator BYRD. Are our troops also able to visit recreation centers in Iraq and neighboring countries for shorter periods. What's going to happen, if anything, with respect to this?

General PACE. Sir, to my knowledge, those programs are on solid ground. Each of the neighboring countries, of course, reviews their own programs over time. I will double check on the neighboring countries, but I'm not aware of any reduction in any of the programs in the neighboring countries.

Senator BYRD. I thank you, General Pace. Now, if I may have a question for Mr. Kaplan. Is there not a need—let me back this up just a little bit—last week, DOD asked the Coast Guard to increase the number of personnel in Iraq from 300 to 400 and to increase the number of ships. Prior to that request, the Coast Guard had estimated their fiscal year 2005 costs for the mission in Iraq at \$95 to \$105 million. Is there not a need to include specific language in the supplemental authorization and appropriation that transfers funds from DOD to the Coast Guard? The current version, as I understand it, of the Warner-Stevens language makes no reference to the Coast Guard. Perhaps, Mr. Chairman, I could ask you if I may do so timidly to answer that question.

Senator STEVENS. Yes, \$400 million has been transferred from this fund to the Coast Guard so far. Because of our great interest in Alaska, having half the coastline of the United States, we maintained a little contact with the Coast Guard to see how much of their funds are being spent. But since they are technically an arm of the Department of Defense, when mobilized by the President, they will be able to have portions of this fund to carry out their activities as I understand it, and they have had parts of the fund that has previously been made available to the Department of Defense, as I said, \$400 million has already been transferred to them in the past.

Senator BYRD. Then, Mr. Chairman, is it not—where there is no vision, the people perish. Would it not be well to exercise our vision to include specific language in the supplemental authorization and appropriations that transfers funds from DOD to the Coast Guard?

Senator STEVENS. I would see no problem with that because I think it's implied already, and they have used the fund in the past. It's the same fund we're putting this money into. But I'd see no problem. As a matter of fact, I'd welcome the opportunity to sponsor with you a provision that says that to the extent necessary these funds may be used for the activities of the Coast Guard carrying out the activities in Iraq. I don't think they're necessary for Afghanistan. I don't think they'll be necessary there.

Senator BYRD. No West Virginia for the same reason. We have no coastline.

Senator STEVENS. We'd welcome them back in Alaska whenever they can come back, Senator.

Senator BYRD. Senator, I'm one Senator who voted to bring Alaska and Hawaii into the union.

Senator STEVENS. We honor you for that continually, sir.

Senator BYRD. And may I thank you, Mr. Chairman, I thank you for your suggestion that we might work together on such language.

Senator STEVENS. Thank you. Senator Inouye, do you have any further questions? We expect to have this be the last hearing for

this subcommittee. We do appreciate your coming today. I think it's a very important and productive hearing. I want to assure you that we stand ready, as Senators here have stated from both sides of the aisle, to respond at any time when resources subject to our control are necessary to ensure the troops in the field or preparing to go to the field being trained for that, have the resources needed to get the job done and get it done with as full protection as possible.

I'm constrained to say that the Senator from West Virginia's questions about leave I think were of interest to Senator Inouye and I. We got 4-day leave before we left to go overseas and we got 1 week leave when we came back from overseas. We didn't get R&R and we didn't get leave to go to any rest center or any recreation center during the period of World War II. So I'm pleased to see that these people have it, don't misunderstand me, but it is something new in terms of the cost of operations of the Department of Defense. That's an enormous, enormous burden to ensure that those forces have at least one trip home after, what, 6 months, General?

General PACE. Sir, sometime during the year, usually between 4 to 8 months.

Senator STEVENS. They've got a trip back to the place of their choice as I understand it, to come home to the place of their choice, or is it to home?

General PACE. Sir, it's a very generous—place of their choice.

Senator STEVENS. But it's needed and I hope we can talk later sometime about the necessity to restore the confidence in our system to increase the enlistment rates in the Air National Guard and to restore the total enlistment rates for the whole Department of Defense. We thank you for—

Senator BYRD. Mr. Chairman?

Senator STEVENS. Yes, sir.

OPERATIONS IN AFGHANISTAN

Senator BYRD. Could I impose on the chairman and the ranking member just briefly? What is the current monthly cost of operations in Afghanistan, and how much of the \$25 billion in this budget request is for operations in Afghanistan?

Mr. LANZILLOTTA. Senator, we're currently spending about \$700 million a month in incremental costs for Afghanistan. This fund is envisioned to be able to relieve stress on the service, particularly the Army, for both operations in Afghanistan and Iraq. I don't really have a breakout as to exactly how in the future that it will come out.

Senator BYRD. Mr. Chairman, may we have some estimate of this—of the needs? Do we have some estimate as to the monthly costs of operations in Afghanistan and how much?

Senator STEVENS. Senator, could you allow me to interrupt?

Senator BYRD. Yes.

Senator STEVENS. This fund is for emergencies.

Senator BYRD. Yes.

Senator STEVENS. The funds that are available for routine activities are in the regular bill, but the emergencies, I don't see how we could predict them.

Senator BYRD. I don't think this is an unimportant question or an impossible one for the people who are in charge and who use the pencil and so on by the minute. I don't think it's something out of the order to have this question answered at least as well as can be, how much of the \$25 billion in this budget request would Mr. Kaplan estimate to be for operations in Afghanistan?

Mr. KAPLAN. Senator, the best we can do as we sit here today is to tell you what we're spending in Afghanistan today, and that's as Mr. Lanzillotta reported, on the order of \$700 million a month. As with Iraq and as is the purpose of this contingent emergency reserve fund, we don't know what we'll be spending in the future, for instance, in Iraq, as we move toward democratic elections for that country.

Senator BYRD. But this fund is not for democratic elections, is it?

Mr. KAPLAN. No, Senator. This fund is for the military operations in Iraq and Afghanistan. I only refer to the elections to make the point that we don't know what precisely the situation on the ground will be as we move into fiscal year 2005. The fund is there, as the chairman has indicated, to make sure that the commanders on the ground in both Iraq and Afghanistan have what they need and to relieve pressure on the Department of Defense so that they don't have to go too far into their accounts.

Senator STEVENS. Senator, it would not be used for the elections, but it would be used to assure that our troops in Iraq have the funds in Iraq to react on a security basis to assure that the elections were carried out openly and freely, and we cannot estimate what that will be. I don't know what it will be.

On Afghanistan, we spent a substantial amount of time with General Jones as he went through the proposed transition in Afghanistan to a more peaceful circumstance, and that too has some contingencies in it that means that there could be emergencies develop in Afghanistan. But he could give us no estimate of what would be required because he doesn't know what the emergencies might be.

But we did have the amount that had been used in Afghanistan for the funds that exist today, and that has been—I don't have the total—but some of these funds that have been used from the IFF in the past have been for Afghanistan. We could get the Senator that figure, how much of the funds have been used there in the past as compared to how much was used in Iraq.

Senator BYRD. I think that would be good information for the subcommittee and the committee. Perhaps General Pace might have some view of how much of the \$25 billion is expected to be for operations in Afghanistan. I'm very interested in Afghanistan. I was there 49 years ago and I have a great admiration for those people, but I just don't believe that we're giving enough attention to the war in Afghanistan. That's the war I really have supported from the beginning. Does the General have any idea as to how much of the \$25 billion is for operations in Afghanistan?

General PACE. Sir, I am no more prescient than the others who have already spoken. We are spending about \$700,000 a month there.

Senator STEVENS. \$700 million.

ELECTIONS

General PACE. You could multiply that by month if you'd like to to come up with an estimate. We have elections coming up in September in Afghanistan. There will be additional security needs there. There could be enemy activity because of that, those elections, that would require us to do more than we're doing day to day right now security-wise, so the number could change, sir. But it would be a guess, and the math that you would do based on \$700,000 a month is the same that I would do, sir.

Senator STEVENS. Would the Senator yield just a moment?

Senator BYRD. Yes.

Senator STEVENS. I'm told that the North Atlantic Treaty Organization (NATO) participation now is increasing. When we were there just a few weeks ago, there had been sort of a delay in NATO fulfilling its commitments, but NATO is now coming into Afghanistan in a way that it's not into Iraq, so as it comes in, its participation will augment the funds that we are spending there. The rate of expenditure now is decreasing as I understand it, so the problem is, is there any kind of formal resumption of real true hostilities from the remaining Taliban enclaves and that's, I don't think anyone can predict it.

But the good news is that NATO forces are coming in and that four districts of Afghanistan are becoming linked by a road we are building, which is sort of like a beltway through the whole country. I share the Senator's concern for Afghanistan because I too went there years ago to Pakistan and what we saw immediately after we reentered Afghanistan on the trip there was a shocking, shocking situation. I told people when I came back, having seen China destroyed by the Japanese, the destruction in Afghanistan was far beyond the destruction that was in China.

ADDITIONAL COMMITTEE QUESTIONS

Senator BYRD. Mr. Chairman, as the ranking member of the Appropriations Committee, I wish to thank you and I want to thank my friend from Hawaii, the ranking member of the subcommittee, for the work you're doing. I want to thank you for the hearing you're holding today. And I want to thank General Pace and the other two witnesses for their contributions to this effort. Thank you very much.

Senator STEVENS. Thank you, sir.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED TO HON. JOEL D. KAPLAN

QUESTIONS SUBMITTED BY SENATOR CHRISTOPHER S. BOND

Question. Recently I supported an effort calling for a \$200 million increase in the heavy truck recapitalization fund account. It is reported that our heavy trucks in Iraq and Afghanistan are getting a year's worth of use in two months. Does this supplemental adequately factor in the costs associated with the Army's reset requirements for its transportation fleet?

Answer. The Department of Defense (DOD) and the Army are closely monitoring the wear on vehicles in Iraq. Based on current estimates of vehicle use, the combination of the fiscal year 2005 President's Budget, a planned fiscal year 2005 sup-

plemental, and potential use of the \$25 billion fund will provide a flexible means to adequately cover costs associated with the Army's transportation fleet requirements, including recapitalization.

Question. Once the CPA transfers authority to the Iraqi Interim Government who will make the decision for the acquisition of military related equipment for Iraqi forces? Has the DOD considered equipping Iraqi forces with U.S. manufactured equipment (and replacing this equipment with newly manufactured and upgraded American made equipment)?

As U.S. Forces place a greater reliance on Iraqi forces throughout Iraq it is important that the equipment Iraqi forces rely upon be dependable and can be reliably repaired and kept up. Transferring U.S. manufactured equipment to the Iraqi's will ensure that parts and service is available to Iraqi's in keeping their military equipment in good repair.

Answer. Decisions on the types and numbers of arms secured for the Iraqi forces will be made, in consultation with appropriate officials of the Iraqi Interim Government, by the Department of Defense and General Petraeus, who is leading the effort to train, equip and mobilize the Iraqi security forces.

QUESTION SUBMITTED TO LAWRENCE J. LANZILLOTTA

QUESTION SUBMITTED BY SENATOR CHRISTOPHER S. BOND

Question. Recently I supported an effort calling for a \$200 million increase in the heavy truck recapitalization fund account. It is reported that our heavy trucks in Iraq and Afghanistan are getting a year's worth of use in two months. Does this supplemental adequately factor in the costs associated with the Army's reset requirements for its transportation fleet?

Answer. No. This reserve fund is not meant to address all the resetting of the force requirements that we are going to incur. This fund is only to allow us to mitigate the problems and risks associated with cash flowing our O&M accounts, specifically in the Army, until fiscal year 2005 supplemental appropriations can be approved. The resetting of the force or the wear and tear on the equipment is a problem that the Department is addressing. Secretary Rumsfeld has charged the director of PA&E to do a study as to what that requirement actually is, because we are finding that this equipment ages differently on wear and tear. We hope to address this truck recapitalization issue when we prepare the fiscal year 2005 supplemental appropriations request.

QUESTION SUBMITTED TO GENERAL PETER PACE

QUESTION SUBMITTED BY SENATOR CHRISTOPHER S. BOND

Question. Once the CPA transfers authority to the Iraqi Interim Government who will make the decision for the acquisition of military related equipment for Iraqi forces? Has the DOD considered equipping Iraqi forces with U.S. manufactured equipment (and replacing this equipment with newly manufactured and upgraded American made equipment)? As U.S. Forces place a greater reliance on Iraqi forces throughout Iraq it is important that the equipment Iraqi forces rely upon be dependable and can be reliably repaired and kept up. Transferring U.S. manufactured equipment to the Iraqi's will ensure that parts and service is available to Iraqi's in keeping their equipment in good repair.

Answer. Decisions regarding the types and quantity of equipment for the Iraqi Armed Forces will be made by the Iraqi Ministry of Defence, under the advice of Lieutenant General Petraeus's Multi-National Security Transition Command—Iraq (MNSTC-I), formerly the Office of Security Transition. Many factors will go into the recommendations MNSTC-I provides, including equipment availability, production lead times, interoperability with existing systems, procurement and maintenance costs and training requirements. While the MNSTC-I analysis may recommend a number of U.S.-produced items for the armed forces, the Iraqis have the final say regarding what they believe best meets their needs, what they can afford to buy and from whom it should be purchased.

The Department of Defense has and will continue to consider U.S. equipment for the Iraqi Security Forces. We are already providing significant quantities of radios, field gear, vehicles and night vision devices to the Iraqis, and as new requirements emerge we will continue to assess if U.S. equipment will meet Iraq's needs.

CONCLUSION OF HEARING

Senator STEVENS. If there's nothing further to come before the subcommittee, this is the last meeting of this subcommittee on the fiscal year 2005 budget. Thank you all very much.

[Whereupon, at 11:45 a.m., Wednesday, June 2, the hearing was concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]

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