HEARING TO RECEIVE TESTIMONY ON THE
DEPARTMENT OF DEFENSE BUDGET POSTURE IN REVIEW OF THE
DEFENSE AUTHORIZATION REQUEST FOR FISCAL YEAR 2020 AND THE
FUTURE YEARS DEFENSE PROGRAM

Thursday, March 14, 2019

U.S. Senate
Committee on Armed Services
Washington, D.C.

The committee met, pursuant to notice, at 9:31 a.m. in
Room SD-G50, Dirksen Senate Office Building, Hon. James M.
Inhofe, chairman of the committee, presiding.
Committee Members Present: Senators Inhofe
[presiding], Wicker, Fischer, Cotton, Rounds, Ernst,
Sullivan, Perdue, Cramer, McSally, Scott, Blackburn, Hawley,
Reed, Shaheen, Gillibrand, Blumenthal, Hirono, Kaine, King,
Heinrich, Warren, Peters, Manchin, Duckworth, and Jones.
OPENING STATEMENT OF HON. JAMES M. INHOFE, U.S.

SENATOR FROM OKLAHOMA

Chairman Inhofe: The meeting will come to order.

It's nice to have the -- Steve Turner, Northeastern State, in the audience today to advise us along our line.

And we're very pleased to have the -- Patrick Shanahan, the Acting Secretary of Defense; General Joseph Dunford, the Chairman of the Joint Chiefs of Staff; and David Norquist.

And I have to say, David, I enjoyed our breakfast together the other day. And I think -- some people think it's pretty outrageous that we can actually have an audit.

I'm glad that you're in charge of it.

Mr. Norquist: Thank you, sir.

Chairman Inhofe: Thank the panel for their distinguished service to the country.

And I'm pleased to see that -- the Department of Defense budget request for 718.3 billion and the overall national defense request of 750 billion. This amount is an increase of less than 3 percent of real growth. You know, we have a -- this manual represents the blueprint that we're following right now. This was the -- we had a hearing on this. And I think, in all the years I've been here, this is the most productive hearing that we've had, where we had Democrats and Republicans alike in -- coming into the -- to an agreement on what our needs are to try to perform this
function. Well, one of the things that is in this book that we all agreed to, and all the uniforms that came to our hearings agreed with this, was to have an increase while pulling out of this period of time and rebuilding our military would be between 3- and a 5-percent increase over inflation. Well, this 750 is actually less than 3 percent over inflation. So, I just want to remind people of that. We didn't quite get to that point.

The top line is only part of the story. We must ensure that we are effectively and efficiently spending the money. And that's why I want to commend you, Secretary Norquist, for all of your hard work delivering an audit of the Defense Department this year. It's something we haven't seen. And that audit should help us identify areas that need more attention and hold people accountable to spend the money more properly.

Despite leadership changes at the Department of Defense, I believe the implementation of the National Defense Strategy should continue, without pause. This is the book that we're referring to, right here. And when President Trump came to office, he inherited an American military in crisis. Meanwhile, China and Russia were rapidly modernizing their militaries and actually passing us up in many areas.

America's military advantage has eroded in key
warfighting areas, such as long-range ground-based fires, cyber, space, electronic warfare, as well as air and missile defense. The Commission on the National Defense Strategy, a bipartisan, independent commission, stated, quote, "Put bluntly, the U.S. military could lose the next state-versus-state war that it fights," unquote. The conclusion of the 2018 National Defense Strategy states that we -- and I'm quoting again -- "need urgent change, at significant scale, to address strategic competition with China and Russia."

I look forward to hearing what the urgent changes are and, our witnesses, what they recommend. Even the best-prepared budget request will be meaningless if we don't reach a budget agreement soon. The Commission on the National Defense Strategy also stated that there must be -- another quote -- "There must be greater urgency and seriousness in funding the national defense. Without sufficient, sustained, and predictable funding, we'll squander the progress the military has made over the past 2 years." Improved readiness, increased procurement, and critical capabilities and investment in future technologies, I see no bigger imperative than this, to reach a budget agreement immediately in order to fully fund defense and to fully implement the National Defense Strategy.

Senator Reed.
STATEMENT OF HON. JACK REED, U.S. SENATOR FROM RHODE ISLAND

Senator Reed: Well, thank you very much, Mr. Chairman.

And let me join you in welcoming the witnesses,
Secretary Shanahan and General Dunford and Secretary Norquist.

Before we consider the details of the Defense Department's budget request, I'd like to address some of the broader fiscal challenges we face. Once again, we find ourselves in a situation all too familiar, debating how best to fund the government under the caps required by the Budget Control Act of 2011, the BCA. There is bipartisan consensus that enforcing budget discipline through the BCA and sequestration is ineffective and shortsighted, and that the BCA caps for fiscal year 2020 will deprive us of the resources needed to sufficiently meet the needs of our Nation.

Last year, because we had passed the Bipartisan Budget Act of 2018, and we knew the permitted spending parameters, and therefore, were able to mark up and pass the fiscal year 2019 defense authorization and appropriations bills before September 30th, this gave the military the funding certainty that it has lacked for many years. I believe Congress should pass another 2-year budget agreement to provide further relief from the caps and provide stability for
budget planning. Without such an agreement, we will face
great difficulty in crafting a bipartisan authorization bill
and will be hard-pressed to provide the Defense Department
with another on-time appropriation. Delay will likely lead
to recurring continuing resolutions that disrupt planning
and, ironically, add cost and inhibit readiness and
modernization, and, to the Chairman's point, undermine that
sense of certainty that is probably worth billions of
dollars in budget authority. So, I would urge that we do
that.

Today, we consider the fiscal year 2020 budget for the
Department of Defense, which seeks $544.5 billion for the
base budget and $164.6 billion in overseas contingency
operations, OCO, of which 97.9 billion is designated to pay
for base requirements. In addition, there is another 9.2
billion requested for emergency funding.

In its base budget request, the Defense Department
highlights resources intended to prioritize programs
targeted for the high-end fight against near-peer
competitors and to operationalize the National Defense
Strategy, including investments in the space and cyber
domains, larger purchases of aircraft, ships, and munitions,
and increased research-and-development dollars for unmanned
systems, artificial intelligence, hypersonics, and directed
energy. The base budget request also supports the quality
of life of our servicemembers by sustaining family support
initiatives and by authorizing a 3.1-percent pay raise, the
largest in 10 years. However, it is clear that the base
budget request will not cover all the Defense Department's
requirements, so we've been presented with a particularly
egregious misuse of the OCO account. I acknowledge that
both Congress and other administrations in the past have
included elements of base funding in OCO accounts, but
overloading the OCO request with $97.9 billion worth of
activities that truly belong in the base budget just to
avoid the threshold of the BCA cap far exceeds any President
and cannot be justified.

Ironically, last year, the President's Acting Chief of
Staff, Nick Mulvaney, called for a, in his words,
"transition away from using OCO as a gimmick to avoid the
sequestration caps," close quote, in his testimony before
Congress. And yet, this defense budget is a prime example
of such a use and undercuts the integrity of the entire
request.

I'd also highlight that Section 1524 of the FY18
Defense Authorization Act directed the Defense Department to
update the guidelines regarding the budget items that may be
covered by OCO. Neither OMB nor the Defense Department have
updated these guidelines. I hope our witnesses shed some
light on when this will be done and what the details are of
this OCO-for-base request.

I also have serious concerns with the $9.2 billion requested in emergency funding for unspecified military construction projects. Three-point-six billion of that total is intended to replenish funds that may be diverted from military construction projects that Congress already authorized and appropriated to build a wall on the southern border. Even if this funding is replenished, these projects could be delayed or even canceled. I would also like to note that Congress has not yet been given the list of projects whose funding may be diverted, and I'm interested if the witnesses can provide some information on that list.

Moreover, we've learned that an additional $3.6 billion of emergency funding in Defense Department's budget will be used to build more of the wall, projects that have not been identified in any way and arguably have zero military utility. Much of our witnesses' testimony today describes the $750 billion in investment needed to fulfill the National Defense Strategy, but the National Defense Strategy Commission, as the Chairman cites is authoritative in their comments, noted that comprehensive challenges will require whole-of-government and even whole-of-Nation cooperation, extending far beyond DOD. Diplomatic statecraft and other nonmilitary tools will be critical. So will adequate support for funding for those elements of American power.
With the State Department and other agencies facing drastic cuts in this budget request, I'm interesting to know if the Defense Department will truly be able to realize the National Defense Strategy.

It is a duty of this committee to ensure the men and women we send into harm's way have the resources necessary to complete their mission and return home safely. But, I firmly believe, if the Senate decides to modify the budget caps for FY20, we must do so in a manner that continues to provide sufficient funding for both defense and nondefense, as we have done every other time we've adjusted the caps.

I'm proud that this committee has always worked in a bipartisan fashion during this process. I look forward to working with all the committees to come to a reasonable agreement again this year.

Thank you, Mr. Chairman.

Chairman Inhofe: Thank you, Senator Reed.

We'll now have opening statements by both the Secretary and General Dunford. And we would -- your entire statement will be made a part of the record, but, if you can hold it down to around 5 minutes -- we have a full house today, and we want to get to questions by all of our members on both sides.

So, we'll start with you, Secretary Shanahan.
STATEMENT OF HON. PATRICK M. SHANAHAN, ACTING
SECRETARY OF DEFENSE; ACCOMPANIED BY HON. DAVID L. NORQUIST,
UNDER SECRETARY OF DEFENSE (COMPTROLLER)

Mr. Shanahan: Thank you, Chairman Inhofe and Ranking
Member Reed, distinguished members of the committee. Thank
you for this opportunity to testify in support of the
President's budget request for fiscal year 2020.

I'm joined by Chairman of the Joint Chiefs of Staff,
General Joseph Dunford, and the Department's Comptroller and
Chief Financial Officer, Mr. David Norquist.

During my time at the Department of Defense, I've
engaged in substantive discussions with many of you. In our
conversations, there has been an enduring constant. That
is, the bipartisan nature of defense, proved by the
sustained funding increases Congress has provided, the last
2 years. On behalf of our military's selfless patriots,

thank you.

It has been a great privilege and honor to serve
alongside the men and women of the Department of Defense,
and it is -- it was a pleasure to work with Secretary Mattis
to craft the 2018 National Defense Strategy. Released in
January of 2018, that strategy laid the foundation for
restoring military readiness and modernizing our joint force
for an era of great-power competition.

I now oversee the continued execution of our strategy,
which is the undisputed driver of today's budget request. It was extremely helpful for the Department to receive the authorization and appropriation bills on time and at the requested top line last year. That is equally important this year, as our competitors have not been complacent. China's defense spending approaches that of the United States when we take into account purchasing power and the portion of our budget going to military pay and benefits. That, coupled with China's organized approach to steal foreign technology, has allowed China to modernize its missile, space, and cyber capabilities, as well as project power far beyond its borders. Russia, for its part, continues to compete asymmetrically with the United States, modernizing and developing its own missile, space, and cyber capabilities. Simultaneously, North Korea's nuclear weapons and missiles remain a pressing concern. Iran's missile and cyber threats and malign aggression across the Middle East and beyond threaten U.S. national interests. And we know what -- violent extremist organizations like al-Qaeda and ISIS continue to foment instability in vulnerable areas.

We have seen marked progress in our current operations as we work by, with, and through an expansive network of allies and partners across the globe. In Syria, the 79-member Defeat ISIS Coalition has liberated virtually all of the territory ISIS once held. As the U.S. drawdown
continues, we will maintain a presence to prevent ISIS resurgence.

As part of a whole-of-government approach, we fully support Iraq's fight against terrorism, and we continue to enable the Iraqi Security Forces' progress in securing liberated areas and thwarting ISIS's attempts to mount a clandestine insurgency.

In Afghanistan, U.S. and coalition forces are training, advising, and assisting Afghan forces to apply pressure on the Taliban. We support the ongoing negotiations, the best window for peace there in 40 years, and continue to stymie terrorist threats to our homeland.

Defeating al-Qaeda in the Arabian Peninsula and ISIS remains the top U.S. national security interest in Yemen. At the same time, we fully support U.N. efforts to bring all relevant parties of the civil war to the negotiating table.

The $750-billion top line for national defense enables DOD to maintain irregular warfare as a core competency, yet prioritize modernization and readiness to compete, deter, and win in any possible high-end fight of the future.

The budget is critical for continued execution of our strategy, and reflects difficult but necessary choices that align finite resources with our strategic priorities. To highlight some of those choices, this is the largest research, development, training, and evaluation budget in 70
years. The budget includes double-digit increases to our investments in both space and cyber, modernization of our nuclear triad and missile defense capabilities, and our largest shipbuilding request in 20 years, when adjusted for inflation. It also increases our total end strength by roughly 7,700 servicemembers and provides a 3.1-percent pay increase to our military, the largest in a decade.

Now to the specifics. The top line slates $718 billion for the Department of Defense. Of that total, the budget includes 545 billion for base funding and 164 billion for the overseas contingency operations. Of the overseas contingency operation funds, 66 billion will go to direct war and enduring requirements, and 98 billion will fund base requirements. To round out the numbers, 9.2 billion will fund emergency construction. That includes an estimated 2 billion to rebuild facilities damaged by Hurricanes Florence and Michael; up to 3.6 billion to support military construction projects that will award in fiscal year 2020 instead of fiscal year 2019 so we can resource barrier projects under emergency declaration this year; and 3.6 billion in case additional emergency funding is needed for the border. Military construction on the border will not come at the expense of our people, our readiness, or our modernization. I caution that no adversary can be as damaging to our military readiness as budget instability.
We built this budget to implement the National Defense Strategy, and I look forward to working with you to ensure predictability, on-time funding at our requested top line so our military can remain the most lethal, adaptable, and resilient fighting force in the world.

I close with the words of William Jennings Bryan etched into the walls of our Capitol so we may never forget their meaning, "Our government, conceived in freedom and purchased with blood, can be preserved only by constant vigilance."

Senators, I appreciate the critical role Congress plays to ensure our warfighters can succeed on the battlefields of both today and tomorrow. And I thank our servicemembers, their families, and all those in the Department of Defense for maintaining the constant vigilance as they stand always ready to protect freedoms.

[The prepared statement of Mr. Shanahan follows:]
Chairman Inhofe: Thank you, Secretary Shanahan.

General Dunford.
STATEMENT OF GENERAL JOSEPH F. DUNFORD, JR., USMC,

CHAIRMAN OF THE JOINT CHIEFS OF STAFF

General Dunford: Chairman Inhofe, Ranking Member Reed, distinguished members of the committee, thank you for opportunity to join Secretary Shanahan and Under Secretary Norquist here today. It remains my privilege to represent your soldiers, sailors, airmen, and marines.

While much of the discussion this morning is going to focus on the challenges we face, it's important I begin by assuring you that your Armed Forces can deter a nuclear attack, defend the homeland, meet our alliance commitments, and effectively respond, should deterrence fail. I believe we have a competitive advantage against any potential adversary, defined as the ability to project power to fight and win at the time and place of our choosing.

But, as members of this committee know, 17 years of continuous combat and fiscal instability have affected our readiness and eroded our competitive advantage. As the Secretary highlighted, China and Russia have capitalized on our distraction and restraints by investing in capabilities specifically designed to challenge our traditional sources of strength. After careful study, the deployed capabilities intended to contest our freedom of movement across all domains and disrupt our ability to project power. With the help of Congress, starting in 2017, we began to restore our
competitive advantage. Recent budgets have allowed us to build readiness and invest in new capabilities while meeting our current operational commitments. But, I think we all know we can't reverse decades of erosion in just a few years. This year's budget submission would allow us to continue restoring our competitive advantage by improving readiness and developing capabilities to enhance the lethality. It proposes investments in advanced capabilities across all domains -- sea, air, land, space, and cyberspace. This year's budget also sustains investments in our nuclear enterprise to ensure a safe, secure, and effective strategic deterrent, the highest priority of the Department of Defense. We've also taken steps to more effectively employ the force we have today and build the force we have tomorrow. We've implemented fundamental changes in our global force management processes to prioritize and allocate resources in accordance with the National Defense Strategy while building readiness and the flexibility to respond to unforeseen contingencies. We've also refined our processes for developing and designing our future force. A joint, concept-driven, threat-informed approach, which leverages a wide body of analytic work, will allow us to deliberately evaluate and prioritize warfighting requirements. This also enables us to pair emerging technologies with innovative operating concepts.
In closing, I'd like thank the committee for all you've done to support our men and women in uniform and their families. Together, we've honored our solemn obligation to never send our sons and daughters into a fair fight. And, with your continued support, we never will.

[The prepared statement of General Dunford follows:]
Chairman Inhofe: Yeah. Thank you, General.

What we're going to do is have a round of 5-minute questions. And we are very well attended this morning, so I ask people to try to keep within their time. I will do the same thing.

To kick it off, we talked about the -- our blueprint that we're using. And I'd like to ask each witness a question about this.

Secretary Shanahan, you said that the Department of Defense would realign the resources in the budget to implement this program. Now, in order to do that, can you quickly run over any of the programs or systems or missions that have been either reduced or accelerated to accommodate this?

Mr. Shanahan: Thank you, Mr. Chairman. I would highlight, in this year's budget, three major structural changes, in terms of being able to accelerate. The first is space. The Space Force, itself, is intended to accelerate, dramatically, our capabilities to defend. Second, missiles. Probably the best characterization of that is our efforts on hypersonics. And third, a significant investment in cyber capabilities. When we think about reductions, I think the Army is the best illustration of that in their modernization plans as they look to make reductions across their portfolio to, I'll say, about 100 different programs.
Chairman Inhofe: Okay. I appreciate that.

General Dunford, similar question. The National Defense Strategy Commission listed several capability gaps, vis-a-vis China and Russia, such as long-range fires, additional air defense units, and others that I mentioned in my over statement. Which of these capabilities -- capability gaps do you think the 2020 budget addresses?

General Dunford: Chairman, thank you.

The budget actually addresses all the challenges you identified. And what I can assure is that the National Defense Strategy really has been the basis for our prioritization for capability development. So, we did careful analysis of China and Russia, in particular, the capabilities developed over the last few years to limit our ability to operate freely in space, cyberspace, land, sea, and air. And the capabilities that we have identified in this year's budget are really designed to allow us to project power when and where necessary to advance our interests in that context of that emerging threat for China and Russia.

Chairman Inhofe: All right. I appreciate that.

Now, I am concerned about one other area. And neither one of you is personally responsible for this, but I'm a little disturbed by the idea that we're going to be taking the USS Truman out of the system that -- and I wonder how
this is going to work in just our sheer numbers. Now, we have a law that says we have to maintain 11 carriers. And we would also look at this and realize that 10 would equal what's necessary to conduct a major war. And how do we get to the number we're supposed to have if we don't follow through with the midlife of the Truman? Now, recognizing that would take up to, I think, 2024. But, nonetheless, it's going to take longer if we start -- depending upon the multiple buy that we're talking about, particularly of a vehicle that still -- the elevator still doesn't work and carry the ordinance.

So, what's your thought about that? How are we going to, number one, comply with the law that we have -- in fact, Mr. Norquist, this might be a good question for you, because you're into these issues, also -- and still not follow through with our original plans with the Harry Truman?

Anybody.

Mr. Shanahan: Why don't I lead off?

First of all, I think the Truman decision represents some of the strategic choices we've made in this year's budget. It was a very difficult decision for us. Carriers represent, now and in the future, critical force structure for the Navy. The Truman decision was made in concert -- it was an integrated decision with our two-carrier buy. Let me walk through the benefits of the decision and then potential
off-ramps so that we don't find ourselves in a difficult situation.

So, the first is that, with this decision of the two-carrier buy and to not refuel the Truman, our lethality of our carriers and capability increases with the new carriers. The second is, until mid-'20s, we maintain the level of 11 carriers. The third is -- and part of the calculus here was to maintain employment. In fact, with this decision, we grow employment in the industrial base. We needed to make sure, not only that our shipyards maintained their employment -- there's actually growth -- but also the supply chain. And the last is that the funds that we freed up from making these decisions are invested in the future force.

The decision for two carriers saved $4 billion.

Chairman Inhofe: Yeah.

Mr. Shanahan: Not refueling the Truman saves $3.4 billion over the FYDP --

Chairman Inhofe: Okay. Yeah, we're going to run out of time, and I'm going to set the example of not allowing us to run out of time. But, I still am not happy with the results of that. And my mental numbers don't agree with that. And I think it's a very important thing. I personally brought this up before Wicker gets here.

[Laughter.]

Mr. Shanahan: Yeah.
Chairman Inhofe: All right.

Senator Reed.

Senator Reed: Thank you, Mr. Chairman.

Thank you all, gentlemen, for your testimony.

Mr. Secretary, I -- on February 18th, you sent a letter to Secretary Nielsen stating that you had, in your words, "not yet decided whether the use of Section 2808 is necessary." That would be the section under the emergency that would authorize access to MILCON funds. And you've asked for information from the Secretary, to include a list of proposed border construction projects that would improve the -- again, your words -- "effectiveness and efficiency of DOD personnel supporting these Customs and Border Patrol."

Have you received a response yet from Secretary Nielsen?

Mr. Shanahan: No, I have not. I expect it this week.

Senator Reed: Again, I -- in the context of something that is supposed to be an emergency, this seems to be a pretty casual sort of approach to the issue. But, beside that, at this point, then, you don't know what projects DAS is requesting, and whether or not those projects would be appropriate under 2808.

Mr. Shanahan: Yeah, the projects we've received, or the updates from DHS to date, are on -- with regards to their 2019 appropriations, they're for the expenditure of forfeiture of Treasury funds and then needs as they --
Senator Reed: Those are all programs that are automatic. You've already put those -- do -- I'm talking about the 2808, which would require not only the emergency declaration, but also a judgment whether -- of their military utility.

And, Mr. Chairman -- General Dunford, you have the obligation to advise the Secretary on the military utility of these projects with -- if they're being incorporated. What criteria do you intend to use?

General Dunford: Thanks, Senator Reed.

The criteria I intend to use is, we'll look carefully at the mission that our soldiers, sailors, marines have been assigned, some -- and some airmen, as well. And we'll look at how these projects support, directly, the mission of those individuals.

Senator Reed: Thank you. And the Secretary will make the ultimate decision, but based upon your recommendation.

General Dunford: Senator, I'll be one of the inputs, and I'll provide military advice to the Secretary on the relationship between the resources, the projects, and the mission.

Senator Reed: If it comes to pass, then, you'll have to delay certain military construction projects we've authorized and appropriated. Do you have a list of those projects yet, Mr. Secretary?
Mr. Shanahan: Senator, I don't have a final list of those projects.

Senator Reed: Well, obviously, I think it would be important to all of us to understand which projects would be sacrificed, even in the short run. So, I would encourage you to get that list.

[The information referred to follows:]

Senator Reed: In the emergency request, there's $3.6 billion for, essentially, backfilling those projects which have already been authorized and appropriated, which is, I think, an unusual way to fund military construction projects. But, then there's an additional $3.6 billion that's just been set aside for "the wall," competing with other potential military projects. That's emergency funding. Do you think that's appropriate?

Mr. Shanahan: It was appropriate, given the planning, when we were putting together, to provision for the next year. And I'll ask Secretary Norquist to comment about how we came up with the planning.

Mr. Norquist: Sure. One of the things we wanted to be certain to do is to not disrupt future military construction projects. So, if 2808 extends, which it will, into fiscal year '20, it just gets -- at least it's a 12 months. If it's longer, we don't want that to disrupt other projects. So, we put in funding so that it would be available and not
to be able to -- in order to be able to protect the other military construction projects.

Senator Reed: But, essentially, what you're doing is creating a -- appropriations dedicated, at this point, to building a wall, which has not, I think, been authorized or appropriated by the Congress. That 3.6 extra funding, you know is going to the wall. It might be a backfill or a -- or a circuitous way, but it's essentially for the wall. Is that correct?

Mr. Norquist: Right. It's in the request. And therefore, would need to be both authorized and appropriated to --

Senator Reed: Okay. So --

Mr. Norquist: -- take effect. Absolutely, sir.

Senator Reed: So, that, in our process, we are authorizing -- you're asking us literally to authorize funding for the wall.

Mr. Norquist: Yeah.

Senator Reed: Thank you.

Just a quick question, because I want to follow the Chairman's guidelines. You mentioned $2 billion in the emergency request for hurricane reconstruction. The Marine Corps has indicated to me, as late as yesterday, that it's about $3.7 billion. Tyndall Air Force Base is -- $5 billion. So, it would seem to me, if our -- you're trying
to address the real needs of the Department of Defense, that, instead of using 3.6 or $7 billion for the wall, that could be used immediately for repairs at Camp Lejeune and Tyndall Air Force Base.

Mr. Norquist: So, what you have is -- yes, there are significant requirements for both of those two bases. One of the things we're looking at is, particularly, the military construction projects. The planning and design lead means that some of them can be executed in '20, so we have 2 billion in for that, some of them won't be able to be executed till '21 or later. And so, we're trying to balance that and address those. But, we're happy to work with you on those requirements.

Senator Reed: Respecting the Chairman, I --

Chairman Inhofe: Okay, thank you, Senator Reed.

Senator Fischer.

Senator Fischer: Thank you, Mr. Chairman.

General Dunford, do you believe a "no first use" policy improves our ability to deter conflict? And would it be your best military advice to adopt such a policy?

General Dunford: Well, thank you, Senator. I think the current policy is one that complicates an adversary's decisionmaking process, and I wouldn't recommend any change to simplify an adversary's decisionmaking calculus. I also can envision several circumstances where we would not want
to remove that option from the President in the future. And
I could certainly talk about that in a classified venue.
But, I absolutely believe the current policy is the right
policy.

Senator Fischer: Thank you.

As you know, those who favor reducing the size of our
nuclear forces, they often argue that a non-nuclear
capability can be substituted for nuclear weapons without
diminishing our ability to credibly hold targets at risk,
deter adversaries, and assure our allies. A report released
last September by the Global Zero Group repeatedly makes
this argument and claims that cyberweapons, in particular,
can be substituted for nuclear weapons. Do you think cyber
operations, their effects and their ability to deter hostile
activity, is comparable to nuclear weapons, or are these
extremely different capabilities? And is this idea of
direct substitution unwise?

General Dunford: Senator, I don't believe that cyber
capabilities can be substituted for nuclear capabilities.
And I think we need to be very careful to maintain a safe,
effective, and credible nuclear deterrent on its own.

We, as you know, have looked at this through more than
three or four administrations in a row. We've carefully
looked at, What does the Nation need to do what I described
in my opening statement as the most important mission in the
Department of Defense, and that is to deter a nuclear war?
And we've concluded that the current construct of a triad
with a robust nuclear command-and-control capability is the
most effective way to deter a nuclear war. And it is also
the most effective way to raise the threshold for the use of
nuclear weapons by any potential adversary.

Senator Fischer: And you mentioned that, in order to
maintain that safe deterrent, we must follow the advice of
all previous administrations, both Republican and Democrat,
all previous military leaders, that we maintain that triad?

General Dunford: Yes, Senator. And I have
participated in two Nuclear Posture Reviews since I've been
in this assignment and been exposed to the wide body of
analytic work that was behind those two Nuclear Posture
Reviews that came to the very same conclusion in two
different administrations. And it's very consistent with
the military advice that I provided on both occasions.

Senator Fischer: Thank you.

Moving to a different topic. Late last year, General,
you characterized the situation in Afghanistan as a
stalemate. In the time since, we've seen some indications
that negotiations with the Taliban are showing signs of
progress. Do you believe the South Asia Strategy is
working? And what is your view of the current security
situation?
General Dunford: Oh, thanks, Senator.

First, I think we're all cautiously optimistic that there is, for the first time, serious inroads made into reconciliation. And Ambassador Zal Khalilzad just completed a round of negotiations with the Taliban. He's back in Washington, D.C. I'll have an opportunity to speak to him later today, and I think we'll see him tomorrow morning. And we're encouraged. And I can tell you, on behalf of Secretary Shanahan, everything that we are doing now in the military space, led by General Miller on the ground, is in support of Ambassador Khalilzad's efforts.

I think, on the ground, by and large, the general strategic situation has not changed, but General Miller has incorporated elements of the strategy to increase the pressure on Taliban leadership. And we do believe that some of that pressure has been -- has contributed to the fact that the Taliban are now at the peace table for the first time since the war began.

Senator Fischer: What conditions on the ground do you believe are necessary if we're going to be able to see any kind of progress in discussions that we have with the Taliban? Can you be specific in this setting?

General Dunford: You know, first, to put pressure on the Taliban, we need to continue to provide enabling capability to the Afghan forces. That's been in the form of
train, advise, and assist. We have the right leaders at the right place to assist the Afghans. And we're also providing combat-enabling capability -- aviation, intelligence, logistics support -- as well. And then, most importantly, though, Senator, on the ground is a counterterrorism capability, remembering that the reason why we're in Afghanistan is to prevent attacks against the American people in the homeland. And so, the combination of support for the Afghans to allow them to put pressure on the Taliban also creates the conditions for us to have an effective counterterrorism presence in South Asia to secure the American people.

Senator Fischer: Thank you. I think it's important to always consider conditions on the ground and always keep in mind what our goal and mission is.

Thank you, sir.

Chairman Inhofe: Thank you, Senator Fischer.

Senator Shanahan -- I'm sorry --

Senator Shaheen: Shaheen.

Chairman Inhofe: -- Shaheen.

[Laughter.]

Chairman Inhofe: There we go.

Senator Shaheen: Thank you, Mr. Chairman. I have been on this committee for about 8 years now.

[Laughter.]
Chairman Inhofe: That's right.

Senator Reed: His Irish --

Senator Shaheen: Yeah, actually -- that's right. It's --

Senator Reed: His Irish --

Senator Shaheen: -- St. Patrick's Day is coming up, so for that I'll be "Shan."

Thank you, gentlemen, for being here.

Secretary Shanahan, I must say I was quite concerned this morning when I read the New York Times story that the Department of Defense is pushing back against the Environmental Protection Agency, which is trying to set tougher standards for PFAS chemicals. And I will just show you. The article was in the Times, and the headline here says, "Pentagon Pushes for Weaker Standards on Chemicals Contaminating Drinking Water." You and I first had a chance to talk about PFAS chemicals and how they're affecting the former Pease Air Force Base in 2017. And I told you about the hundreds of people, children, who had been drinking water, and those chemicals now have shown up. And no one knows what the long-term health impacts of drinking that water is.

There are 401 known military facilities in the United States that the Pentagon has admitted have PFAS contamination. This committee worked, 2 years ago, to
authorize the first-ever health study on PFAS chemicals.

And I'm just -- I'm very concerned about the fact that the Department of Defense would be trying to reduce the standard that the EPA is setting to try and ensure that drinking water is safe, not just for the civilians around our military installations, for our members of the military. I must say, the Air Force has been very responsive at Pease and Portsmouth. Under the previous Secretary, Deborah James, and the current Secretary, Heather Wilson, they have come up, they have put in remediation efforts. And I think this health study that the -- has been started is going to be critical in answering questions for people. But, I don't understand how you and the Department of Defense could be trying to reduce the standards that affect drinking water for literally millions of people around the country.

Mr. Shanahan: Senator, I'm not familiar with the article this morning. And you have my assurance that I'll take a look at what the actual situation is, in terms of the standards.

What I am is accountable and responsible for the safety and security of our men and women. You have my assurance that we will continue to do that. I will look into this matter. I take these matters personally, very, very seriously, just as we had talked before. I am the advocate to take care of those matters, so let me take that for the
record, and I will follow up with you directly to explain
the situation and what we're doing to take responsibility.

[The information referred to follows:]

Senator Shaheen: Well, I appreciate that. Can you
confirm or deny whether DOD has urged a lowering of the
standard that the EPA is trying to put in place?

Mr. Shanahan: I can't speak to that specific. I will,
very quickly, find -- get an answer back to you.

Senator Shaheen: I appreciate that. I think that's
something that is important for the entire committee to
know, because, as you know, installations across the country
are affected, and a lot of people's -- and we don't yet
really know what the long-term health impacts are. So,
getting those answers is very important.

Can I ask -- and I'm not sure who, quite, to direct
this question to, but, General Dunford, you said that you
were going to be weighing in on any projects that were put
on a list -- any MILCON projects put on the list to consider
delaying because of the President's effort to put more money
into a border wall. Can you tell me what objective criteria
that you're looking at in trying to come up with those
projects?

General Dunford: Senator, the Secretary will get
inputs on the impact of the projects from the service
secretaries and the service chiefs. What I will do is talk
about the appropriateness of those projects and how they relate to the performance of our mission along the border so the Secretary will get a wide variety of inputs. And each of the service secretaries, I know, will share their assessment of those impact of those projects to the Secretary.

Senator Shaheen: But, a number of those projects would not affect the border, would they?

General Dunford: No --

Senator Shaheen: I mean, we have a -- MILCON projects at the Portsmouth Naval Shipyard that are very important, I think, to our national security, that don't affect the border directly.

General Dunford: Yeah, sorry, Senator, if I conflated two issues. There is the list of projects, and then the service -- that may be used to free money up for projects along the border -- the service secretaries and the service chiefs will provide input to the Secretary on the impact of those projects to the services and, as you point out, bases and installations, maybe, where those projects would have been executed. What I will do, when the decision is made to support the border with infrastructure, is assess the relationship of that infrastructure to the DOD mission.

There's two separate processes that affect --

Senator Shaheen: Thank you.
General Dunford: -- infrastructure and projects.

Senator Shaheen: Thank you.

Chairman Inhofe: Thank you, Senator Shaheen.

Senator Cotton.

Senator Cotton: General Dunford, how many troops, roughly, do we have on the border today?

General Dunford: Senator, we have approximately 4,000 in a Title 10 status, and we have approximately 2,000 in a Title 32 status.

Senator Cotton: How many do we have in the DMZ on the Korean Peninsula?

General Dunford: We have a total of 28,500 in Korea.

Senator Cotton: And they're all pretty close to the DMZ, but we have a lot that are right up on the DMZ, too, correct?

General Dunford: We do, Senator.

Senator Cotton: How many do we have today in the Baltics and the Poland -- and Poland, nations that border Russia?

General Dunford: We have several hundred. And then, of course, in Poland we have a constant rotational presence that can be up in the thousands. We have brigade combat teams that rotate into Poland for training. I was there visiting them in December, and, at that point, we had probably about 3,000 forces inside of Poland at that time.
Senator Cotton: Okay. So, we have lots of troops around the world on other countries' borders. Does it cause you any disquiet that we have troops on our own border?

General Dunford: It does not cause me disquiet that we have troops on the border, Senator.

Senator Cotton: Thank you.

Let's turn to the budget. The budget has a very large request for the overseas contingency fund, 174 billion. I think that's probably about a hundred-billion more now than what we've spent this year. That, obviously, is a big patch to try to get around the Budget Control Act of 2011. There's a lot of people on Capitol Hill who are not going to like that. But, let's think about it, first, from a military standpoint.

General Dunford, what does it mean for modernization if the opposition to such a large overseas contingency fund results in a 1-year continuing resolution?

General Dunford: Well, Senator, my understanding this year would be that we would not have a continuing resolution, that we would go back to BCA levels. And I'm not given to hyperbole --

Senator Cotton: So, let's say it's a continuing resolution that suspends the BCA levels. So, because of the dispute over the overseas contingencies fund, the Congress can't reach a budget-cap agreement, and therefore, we have
to have a 1-year continuing resolution that suspends the caps.

General Dunford: Yeah, one of the challenges that we've had, Senator, over the last few years is, the fact that we have not had a budget -- last year, we did, but the fact that we have routinely not had a budget at the beginning of the year has delayed new-starts, and it's been incredibly inefficient in how we prioritize and allocate resources throughout the year. And the three adjectives I use -- and I think they're all important -- is, predictable, sustained, and adequate levels of funding. And if we had the entire fiscal year, we can be the good stewards that you should hold us accountable for being.

Senator Cotton: And, Secretary Shanahan, is a dollar of spending in the overseas contingency fund equal to a dollar of spending in the base budget?

Mr. Shanahan: Senator, yes, it is.

Senator Cotton: Could you elaborate on that a little bit more?

Mr. Shanahan: When I think about the top line and how we built the top line, it was a requirements-built budget. So, every dollar in the budget is based off a derived requirement. So, how we package the money doesn't change how we built the budget. So, the color is indifferent to what it is we would put the money towards.
Senator Cotton: If the Congress could reach a budget-cap deal, though, and have that money in the base budget, would that be better off for the Department of Defense?

Mr. Shanahan: Be much better off.

Senator Cotton: Can you explain why that would be better off?

Mr. Shanahan: Well, for a number of reasons. I think the -- and I'll ask David to comment on this, but it's in the out years. When the base budget gives us the predictability and the stability the Chairman just spoke to, that not only gives us, internally, the stability to do our planning, but also our partners in the industrial base, their investment and their planning and their sizing, they have confidence that that continuity of money will continue.

It --

Senator Cotton: Yeah, if we could -- that's probably a good question for the Comptroller. Could you just explain the efficiency of spending a dollar in the base budget versus a dollar in the OCO budget, especially in the out years?

Mr. Norquist: So, in the regular year, they follow the same congressional oversight, they get spent the same way. It's a presentation difference. And, to be clear to the members, we have presented the budget so that that which has historically been OCO is distinctly presented from the OCO
for base, because we want to understand -- to be able to do analysis, you need to be able to comparison. But, when you go to the out years, what people look at is, What numbers can we expect in the out years? It is easier to project, and we have done that in the past. And you'll see, in some of our presentations, a different base-and-OCO mix in the out years when you get to the point where all that is OCO is the contingency versus the OCO for base and others. But, it's a -- it helps with planning.

Senator Cotton: Yeah. I say the reason we're in this bind is a law against which I have inveighed for many years, the 2011 Budget Control Act. I hope that we can get another, and final, 2-year cap deal. I do worry, though, that we may be heading in the direction of a full-year continuing resolution. And I would hate to see that for all our men and women in uniform out on the front lines.

Thank you, gentlemen.

Chairman Inhofe: Thank you, Senator Cotton.

Senator Hirono.

Senator Hirono: I thought Senator Blumenthal was here before me, so I'll --

Chairman Inhofe: Senator --

Senator Hirono: -- defer to him first.

Chairman Inhofe: Okay.

Senator Blumenthal.
Senator Blumenthal: Thank you, Mr. Chairman.

Senator Reed: Take the ball and run.

Chairman Inhofe: Go.

Senator Blumenthal: Good morning, gentlemen. And thank you very much for your service. Appreciate your being here, and your candid and forthright answers.

President Trump's budget has been criticized in many ways. And, in my view, it gets a lot wrong, but it got very right the commitment to undersea warfare and building three submarines, Virginia-class attack submarines, a year in fiscal year 2020. And I want to thank you and your entire team for their commitment to that issue of paramount importance to our future Navy and our national defense. It is an area where we have an asymmetric advantage that must be preserved. There are others that are also important, cyber and air superiority and space, for all the reasons that you know. But, I just want to highlight that area.

I want to ask a question that is unrelated to the defense budget, but is very much on the minds of many of us, relating to the Boeing 737 MAX 8. I know it's not a topic of interest today before this proceeding, but it is a topic of interest to work that you've done in the past. And I'd like to know whether you have spoken about the Boeing 737 MAX 8 to anyone in the administration, in the Department of Transportation, or in the White House.
Mr. Shanahan: Senator, I've not spoken to anyone regarding the 737 MAX.

Senator Blumenthal: Have you been briefed at all on any of the problems relating to it?

Mr. Shanahan: No, sir, I have not.

Senator Blumenthal: Let me ask you, Are you in favor of an investigation that would look into why these defects that caused crashes were not known earlier or were not acted upon earlier?

Mr. Shanahan: Senator, I firmly believe we should let the regulators investigate the incidents. And I would just say, my heart goes out, and my condolences, to the families and the employees involved in the Lion Air incident and the Ethiopian Airline incident.

Senator Blumenthal: The independent watchdog, Citizens for Responsibility and Ethics in Washington, recently asked the Department of Defense Inspector General to investigate whether you have broken any ethics rules by promoting Boeing while you served as Deputy Secretary of Defense. Do you support such an investigation?

Mr. Shanahan: Yes, I do.

Senator Blumenthal: And I welcome your support for that investigation.

Other government watchdog groups have looked at records indicating that the Department of Defense spent almost
$140,000 at Trump-branded properties in the first 8 months of the Trump presidency. More than a third of those payments were made at Mar-a-Lago. Some of the payments overlapped with presidential trips, but others do not. And all the payments -- you may be familiar with the emoluments lawsuit that I and other Members of Congress have brought -- would violate that domestic emoluments clause, potentially, which prevents the President from receiving money from the Federal Government, or any other payments and benefits, without consent of Congress. Are you aware of those expenditures by the Department of Defense?

Mr. Shanahan: No, I'm not, but I'll ask Secretary Norquist.

Mr. Norquist: I'm not aware of those.

Senator Blumenthal: Could you give us, in writing, a -- an accounting of those expenditures by the Department of Defense at Trump-branded properties?

Mr. Norquist: I'll take that for the record, Senator.

[The information referred to follows:]

Senator Blumenthal: Thank you.

As the Acting Secretary of the Department of Defense, I have been alarmed by reports that indicate a pattern of retaliation against some of the Pentagon reporters, and restricted press access to some of the top DOD officials. Are you aware of those restrictions? And do you think
they're appropriate?

Mr. Shanahan: I'm not aware of any restrictions. In fact, I think there's probably, since I've assumed these responsibilities, much more interaction and engagement with the press.

Senator Blumenthal: Well, if you could -- since my time is expired, if you could let me know of any restrictions that have been imposed?

Mr. Shanahan: Yeah.

Senator Blumenthal: For the record, if you would take that question.

Thank you.

Mr. Shanahan: Absolutely.

[The information referred to follows:]

Chairman Inhofe: Thank you, Senator Blumenthal.

Senator Sullivan.

Senator Sullivan: Thank you, Mr. President -- or, thank you, Mr. Chairman.

[Laughter.]

Senator Sullivan: A lot of Irish mistakes going on here this morning.

[Laughter.]

Senator Sullivan: Maybe we're getting close to St. Patrick's Day or something.

I want to thank you, all you gentlemen, for your
service.

Under Secretary Norquist, I know Senator Perdue's going to ask a lot about the audit, but I think that was really good work that you were doing.

And, General Dunford, I just want to thank you. You know, I know that there has been an announcement of a new Chairman, but certainly we view you as the Chairman who's done an exceptional job, not just as Chairman, but in your entire career. I know you've got a lot of work to do left, but I do want to do a shout-out to your exceptional service to our Nation.

Mr. Secretary, I want to ask a couple of questions that relate to the President's recent visit to Alaska. He was there, coming back from North Korea. Billy Mitchell, who's the father of a U.S. Air Force, in a congressional hearing similar to this right before World War II, called Alaska "the most strategic place in the world." The President kind of echoed Billy Mitchell's comments when he was in Alaska visiting with our troops. He said, "Since the second World War, our intrepid servicemembers in Alaska have proudly stood as the top cover for North America. You are a powerful warning to the world to never strike American soil. You are a warning that everybody knows about and nobody wants to mess with." He went on to say -- he was at JBER -- "Next year, the 11th Air Force, headquartered right here at
JBER, will receive the first of 54 brand-new F-35 fighters.

You are getting very special planes, and you're getting a lot of them. That'll make Alaska the home to very 100 fifth-gen fighters. Noplace on the planet Earth will have that much combat fighter power. And it's because of our strategic location."

The President then went on to talk about Alaska's critical role in missile defense, "We are also deploying more than 20 ground-based interceptors at Fort Greely, which will further strengthen our missile defense system. So important. Our missile defense system is being rebuilt very substantially, and we're going to have the latest and greatest here very soon." So, that was the President, 2 weeks ago, in Alaska.

So, do you agree with these statements by the President, Mr. Secretary?

Mr. Shanahan: Senator, I do.

Senator Sullivan: You called North Korea a pressing concern. Like the President indicated by his remarks, do you believe that the rapid deployment of advanced missile defense for America is critical to our readiness, defending from North Korea missile attacks?

Mr. Shanahan: Extremely critical.

Senator Sullivan: How about the rapid deployment of 100 fifth-gen fighters that can be defending our troops in
Korea, because of Alaska's strategic location, within 5
hours?

Mr. Shanahan: Deployment and sustainment of them is
vital.

Senator Sullivan: Thank you.

Let me ask, on the issue of allies, Do you agree that
China and Russia have been trying for years to split us from
our traditional allies? NATO, Japan, Korea. Hasn't that
been a strategic goal of them -- of those countries?

Mr. Shanahan: Well, China, in particular, but we see
this constantly with Russia and NATO, particularly in the
Balkans. I'd ask the Chairman, maybe, to comment on the
recent activity in the Balkans.

Senator Sullivan: Well, let me just --

General Dunford, do you see that as a strategic goal of
the Chinese and the Russians, to split us from our allies?

General Dunford: It's a -- it's been a very consistent
pattern of behavior to split us from our allies. And, more
specifically, to create doubt, in the minds of our allies,
that we can meet our alliance commitments.

Senator Sullivan: So, I appreciate what the
President's been trying to do, particularly get our NATO
allies to 2 percent, but there have been press reports about
a cost-plus-50-percent approach. Mr. Secretary, do you know
how much the Koreans paid for the new Camp Humphreys on the
Korean Peninsula?

Mr. Shanahan: I do. Slightly less than a billion dollars.

Senator Sullivan: So, they paid 9.8 billion out of a new facility cost, 10.8 billion. Isn't that correct?

Mr. Shanahan: Yes.

Senator Sullivan: Ninety-three percent of a U.S. Army base.

Mr. Shanahan: Right.

Senator Sullivan: Have you been to Camp Humphreys?

Mr. Shanahan: No, I haven't.

Senator Sullivan: You should go there. It's an outstanding facility.

I'm sure you've been, General.

General Dunford: I have, Senator.

Senator Sullivan: So, 93 percent, U.S. Army base on Korean soil, paid for the Koreans. Do we really think -- and maybe those statements -- maybe the press reports aren't true -- cost-plus-50 -- are we driving our allies away from us in the way that Putin and Xi Jinping are probably cheering right now?

Mr. Shanahan: Yeah, Senator, we don't do cost-plus-50 percent.

Senator Sullivan: So, those reports in the press, all over the press --
Mr. Shanahan: They're --

Senator Sullivan: -- are incorrect?

Mr. Shanahan: They're erroneous. We're not going to run a business and we're not going to run a charity. The important part is that we've -- people pay their fair share. And payment comes in lots of different forms. Could be contributions, like in Afghanistan. But, at the end of the day, people need to carry their fair share. And not everyone can contribute. But, it is not about cost-plus-50 percent.

Senator Sullivan: Thank you.

Thank you, Mr. Chairman.

Chairman Inhofe: Thank you, Senator Sullivan.

Senator Hirono.

Senator Hirono: Thank you, Mr. Chairman.

Secretary Shanahan, the recently released Missile Defense Review directed a study on operationalizing the Aegis Ashore site of the Pacific Missile Range Facility, PMRF, on Kauai. You and I discussed this. We -- I have some significant concerns about what operationalizing the site would do to PMR's ability to meet its testing mission, which I assume you agree is important. You can --

Mr. Shanahan: Yeah. No, absolutely, Senator. And --

Senator Hirono: Thank you.

Mr. Shanahan: The --
Senator Hirono: I'll get to the question.

Mr. Shanahan: All right.

Senator Hirono: -- as well as the impact of removing that testing capacity from PMRF. So, briefly, could you tell us how operationalizing the Aegis Ashore site in Kauai would add to our ability to defend Hawaii from missile threats, especially as the major missile threat to Hawaii would be an ICBM, and the Aegis Ashore is not set up to counter ICBMs?

Mr. Shanahan: My understanding of the request in the MDR is that it's a study to assess taking the test assets and operationalizing them. And, as you well point out, the ground-based midcourse defense system that is resident in Alaska defends Hawaii. I believe that the study will look at what are other threats that may be posed to Hawaii, and how there might be a layered defense. But, as you pointed out, the test range there is vital capability and capacity for developing our missile defense systems.

Senator Hirono: So, I want to make sure that my concerns are in the record. For Secretary Shanahan and General Dunford, 2 weeks ago before this committee, General O'Shaughnessy, the North -- Northern Command Commander, testified that the current situation at our southern border is, to quote him, "not a military threat." Do you agree, Secretary Shanahan, that the situation on the southern
border is not a military threat?

Mr. Shanahan: Senator, you're referring to General O'Shaughnessy's testimony?

Senator Hirono: Yes.

Mr. Shanahan: Yeah. What I recall from his testimony is, he said that it is not a military threat. He said border security is national security.

Senator Hirono: I understand that. But, he said specifically that the -- it's not a military threat. I'm asking you whether you agree with him that --

Mr. Shanahan: I --

Senator Hirono: -- it's not a military threat.

Mr. Shanahan: I agree with him.

Senator Hirono: General Dunford?

General Dunford: I agree. It's a security challenge, not a military threat.

Senator Hirono: So, you testified, Secretary -- Mr. Secretary, that there are 6,000 troops currently deployed at our southern border. Can you tell us how long they're going to be there?

Mr. Shanahan: The -- I'd say 30 or 40 percent of them will be departing in the next month or so when they complete some of their work. And I believe we'll probably draw down to between 3- and 4,000.

Senator Hirono: Is this something that the President
is indicating to you, or can he say that, "I want you all to remain at the border"?

Mr. Shanahan: No, this was part of the tasking from the Department of Homeland Security. And, based on their request to us --

Senator Hirono: From the President.

Mr. Shanahan: From the Department.

Senator Hirono: Yes.

Let me get on to a matter that is of great concern to some -- to a lot of us, actually. Secretary Shanahan, in your response to Senator Inhofe's question about refueling the Truman, you stated that growing the workforce in the shipyard is a priority, and the move to not refuel the Truman would save 3.4 billion over 5 years. And how does canceling 3 years of shipyard work grow the workforce there?

Mr. Shanahan: Yeah. The workforce -- when we look at what is in the shipyard, so the combination of submarines, new carriers, and then maintenance, all that is done in the same shipyards, and that workforce moves from project to project. So, when we look at the total employment, the actual total employment goes up over the period of time in which we're building the two carriers.

Senator Hirono: Frankly, as I talk with some of the people from the shipyards, I'm not so sure that that is the case. And it'll cost about 3.4 billion to refuel the
Truman, which, by the way, by not refueling, we're only
getting about 50 percent of the Truman's service life. So,
at the same time, there's 3.6 billion in the emergency fund
which you acknowledge is going to be set aside -- you want
us to authorize setting that aside for the wall. So,
doesn't it make sense -- maybe I should ask this of General
Dunford -- that we should use the money from the emergency
funding that you're requesting us to set aside for the wall
for something -- i.e., the refueling of the Truman -- that
actually fits with the NDS and that your combatant
commanders want?

General Dunford, would you like to respond?

General Dunford: Senator, I would. And I'm not trying
to be evasive, but I think my responsibility is to identify
for the Secretary the priorities within our top line, not to
identify what the top line is, and not to identify how the
money within the total top line ought to be allocated.

Senator Hirono: Well, I would say probably if you all
had your druthers, if you could get some money to refuel the
Truman, you would do so, wouldn't you?

General Dunford: Again, if I look at it through the
military dimension alone, that would be true, but I have to
acknowledge that the Secretary and the President have
broader responsibilities than I do.

Senator Hirono: Yes, like building a vanity wall.
Thank you.

Chairman Inhofe: Okay. Senator Perdue.

Senator Perdue: Thank you, Mr. Chair.

And thank you, gentlemen, for being with us today.

Mr. Secretary Shanahan, in 1990, Congress passed a law that required the administration to produce an audit of the Department of Defense. I want to give you guys kudos for producing the first-ever audit of the Department of Defense last year, in November. Thank you for that. Can you give us an update on that? Give us a little idea of what the Department is learning from that audit. I know we don't have a clean audit yet. Secretary Norquist may want to comment on that. But, I'd like to get a brief update about what we're learning, what kind of opportunities we have for efficiencies and a better use of capital in the military.

Mr. Shanahan: Thank you, Senator.

First of all, the audit was to look at $2.7 trillion worth of assets. So, this was the largest audit ever conducted, probably in the history of mankind. We were asked, Would we ever do this? Because it had never been done. We made the commitment to this committee that it would be accomplished. We always knew that there would be discoveries. But, audits really aren't about doing the audits, it's finding the problems, as you've pointed out. And we specifically focused on identifying certain problems
that are vital to operating the Department. Some of them are financial in benefit, as you described, efficiencies, but others are identifying cyber shortfalls. So, we used the audit to find efficiencies, vulnerabilities from cyber, as well as where there is noncompliance.

The best part of the audit is, we've identified those items, and now we're incorporating all the corrective actions, we're building the muscle movement and the habits to continuously close those -- address those findings and make ourselves better.

Dave, would you like to talk about the efficiencies?

Mr. Norquist: Sure. So, I think one of the things you point is, before we started the audit, there was sort of two potential misconceptions. One is, it was going to be a paperwork exercise, and we'd learn nothing. Or the other is, we'd open the floors and discover pots of gold hidden underneath. And, of course, part of the value of getting through is, you move past those to discover the tangible value. And let me just give a couple of specific examples:

The first is inventory. We discovered there are certain facilities where what they thought they had in inventory did not match what they had in inventory. And if your responsibility is spare parts for airplanes, the accuracy of that inventory matters. And so, for example, at Hill Air Force Base, uninstalled missile motors, they don't
just check the quantity, they check the condition. They were labeled as unserviceable. When you visit them and look at them, they're actually usable. And so, you wouldn't have needed to order more. That saved us $53 million.

Other places, you go to Osan and Kadina, 14,000 munitions, $2.2 billion, 100 percent accounted for, not a single exception.

And so, what we learned is, there are some places that are doing this quite well, and there are others where we need to either help them fix their process or give them better attention. But, the commanders in the field recognize the direct correct -- connection to mission and readiness. And so, I had expected a lot of pushback once the audit findings came in, that this was just paperwork, but they saw the tangible value. And, I think, as we move forward, the accuracy of the data, adopting more businesslike practices, will be tremendously helpful for the Department.

Senator Perdue: Thank you. And how long will it take us to get a clean audit, in your estimate?

Mr. Norquist: I don't know how long the Department, because the Department's opinion will be the last of the organizations. But, I think, over the next couple of years, you'll see either the working capital fund of the Army or the Marine Corps start to get to clean opinions, and then
you'll be able to differentiate between which of the
organizations missing progress and who needs an extra
hearing.

Senator Perdue: Thank you.

Chairman Dunford, today we have about 5,000 troops, I
think, directly in Iraq. Is that correct?

General Dunford: That's correct, Senator.

Senator Perdue: And so, General Thomas recently before
this committee -- the combatant commander of SOCOM -- said,
and I quote, "Our Iraqi partners have embraced their
sovereign responsibility in terms of defending their
terrain." What are we doing -- and also, we hear about this
potential vote in the Parliament in Iraq about asking U.S.
forces to leave Iraq. And then, just this week, we had
President Rouhani visiting Prime Minister Modi. Can you
talk to us a little bit about what assumptions we have in
this budget with regard to our presence in Iraq? And how do
you see our continuing role there in Iraq?

General Dunford: Senator, this budget includes an
enduring presence in Iraq, slightly less than the forces
that are on the ground right now. But, what's important is
that we do that in partnership with the Iraqi government.
So, as the Iraqi government settles, and they're prepared to
center into a conversation about it -- what our reliable
partnership will be moved forward, then our Secretary of
State and Secretary of Defense will work out the exact numbers to meet the requirements that the Iraqi Security Forces will still have to ensure the lasting defeat of ISIS, which is -- of course, is our collective focus.

Senator Perdue: Thank you, sir.

Thank you, Mr. Chairman.

Chairman Inhofe: Thank you, Senator Perdue.

Senator King.

Senator King: Thank you, Mr. Chairman.

I'm somewhat saddened to have the -- so much of this hearing taken up with issues about the wall, because I and all members of this committee have been very bipartisan. We've always been very supportive of the military. But, there are some questions I feel that I have to ask.

Secretary Shanahan, you testified earlier, in answer to Senator Reed's question, that you don't know which military construction expenditures are going to be canceled in favor of this 3.6 billion. Is that correct?

Mr. Shanahan: Senator, that's correct.

Senator King: Why is that correct? You've had a month. I find it very hard to believe that there's not a list.

Mr. Shanahan: Yeah.

Senator King: Are you testifying there's no list, there's no information you can give us about which
construction projects are on the chopping block?

Mr. Shanahan: Yeah. So, what I can tell you are what
projects aren't on the chopping block. So, for example --

Senator King: Have you assured members of the Senate
-- individual members, that there are not projects in their
States that are under consideration?

Mr. Shanahan: No, I have not.

Senator King: You have not made any assurances to
those -- to any member of the Senate.

Mr. Shanahan: I have had questions as to whether
projects -- this has been a blanket statement that's been
made. There are no projects in this fiscal year that will
be canceled. That has been a -- and anything associated
with family housing or barracks.

Senator King: But, wasn't the appropriations, the 3.6
billion -- I mean, that's part of a larger appropriation for
military construction that's been through this Congress,
been through the Appropriation Committee -- didn't it list
projects?

Mr. Shanahan: No, it doesn't.

David?

Mr. Norquist: So, what he's talking about is -- the
projects, when we go to prioritize, when we have the
guidance from DHS's request, and the Secretary makes a
decision -- we'll look at those that are unobligated,
meaning the contracts haven't been awarded. And if you look
at the --

Senator King: But, those are projects that have been
identified. This is --

Mr. Norquist: Absolutely.

Senator King: You weren't just say, "We'll give you 50
billion for military construction."

Mr. Norquist: Correct. The projects individually
identified by the Congress and the committees, correct.

Senator King: And -- but, you're telling me that the
Department has not identified which of those projects are
going to be canceled in -- or deferred in order to spend
this 3.6 billion on a wall.

Mr. Norquist: We don't know which projects will be
defered. I don't know if the Secretary's decision will be
3.6 billion. He has to determine that it's relevant --

Senator King: And it's your testimony, Mr. Secretary,
that you have not had conversations with members of the
Senate to assure them about the safety of projects in their
States.

Mr. Shanahan: Well, let me be clear on this so it's --
I have told members there are projects in -- and this writ
large -- there are no projects scheduled to be obligated in
FY--F-- this fiscal year that will be canceled. That's
the only information I've shared.
Senator King: Well, I'm confused. I mean, either
projects are going to be canceled to find 3.6, or they're
not. I -- please explain, Mr. Norquist.

Mr. Norquist: Sure. The projects in military
construction have up to 5 years to be awarded. And so, if
you receive funding for a project in '18 or '19, it might
not get awarded till '20 or '21.

Senator King: So, you're focusing on the word
"awarded," but I'm focusing on the fact that these are
identified projects in the appropriation. Are they not?

Mr. Norquist: Correct. But, if --

Senator King: And, Mr. Chair -- Secretary, are you
saying that there are no identified projects in the
appropriation for this year that are going to be defunded or
defered because of this 3.6? I mean, this 3.6 is coming
from somewhere.

Mr. Norquist: So, okay -- so, I think you're talking
past each other. There's a difference between in the '19
appropriations bill versus projects that are scheduled to be
awarded, meaning the contract is going to be funded and the
construction would begin in '19. Those projects have up
until the year '23 or so to be awarded. And the reason we
put the 3.6 billion in the request is so that money would be
available and allow those projects to continue. In many
cases --
Senator King: All right. Let me put it another way. I know of projects in New England that are on -- that were funded in this bill. Can I be assured that they're safe, they're not going to be deferred or canceled in a -- to find this 3.6? I mean, it sounds -- something's not computing here. Are you -- the 3.6 is coming from somewhere. And it's coming from projects that were authorized and appropriated by this Congress. And you won't tell me what they are.

Mr. Norquist: The 3.6 will come from project -- well, assuming the Secretary signs off -- I don't know the number of the requirement yet -- but, assuming the Secretary signs off, the 3.6 would, in fact, come from projects previously authorized and appropriated by Congress. We would look to not -- we would not touch those that dealt with family housing or military construction. And we would prioritize --

Senator King: I'm going to ask my question once, Mr.

--

Mr. Norquist: Sure.

Senator King: -- Secretary. Have you spoken to any members of the Senate to assure them that projects in their State are not going to be affected by this policy?

Mr. Shanahan: No, I have not, Senator.

Senator King: Thank you.
Mr. Chairman, I'm very concerned about this. I don't think we're getting full information. I intend to follow up.

Thank you.

Chairman Inhofe: Thank you, Senator King.

Senator McSally.

Senator McSally: Thank you, Mr. Chair.

I do want to follow up on that, as we did have a conversation, and there are four projects in Arizona that are appropriated in FY19, and you broadly said those FY19 projects, across all the country, will not be impacted by this, just to be clear. Correct, Mr. Secretary?

Mr. Shanahan: That is correct.

Senator McSally: Thank you.

Senator King: How --

Senator McSally: I just wanted to clear that up.

Senator King: How does that square with what he just told me?

Senator McSally: Well, you rebound if you get more time, sir, but I've got some other questions to ask. I just wanted to clear that up, since it seemed that may cause some confusion about some conversations that we had.

I want to get to a different topic. In 2017, there were 6,769 sexual assaults reported across our entire military, likely thousands of others that were not reported.
These blue-on-blue crimes are unacceptable. They're harming our warriors, and they're degrading good order and discipline and military readiness. Many steps have been taken by the military over the last years, and this body. Over 100 legislative actions. But, it's not enough. There's thousands of our warriors in military readiness that's been harmed by these crimes. I believe commanders must be educated, equipped, and held accountable, and still be responsible for the decisions, the culture, and the discipline regarding sexual assault. However, something needs to change. "Insanity" is doing the same thing over and over again, expecting a different result. Perhaps we need to take a fresh look at this issue.

I've spent a lot of time thinking about this, and more so over the last week. We have weeks, now, before the NDAA will be marked up before this committee. I am fully locked on, like a missile, on this target. And I want to be working with you and the military services to take a fresh look at this. I've asked the Secretary of the Air Force and the Chief of Staff to start with a summit with the Air Force. But, it's not just the Air Force, it's across our military services.

So, can I get your commitment that we are going to partner on this, and we're going to take a fresh look and tackle this over the next 45 days together, which includes
being responsive to my questions, maybe forming a team of experts and resources to be able to really dial in as to what's working, what's not working, across the spectrum of prevention and response and prosecution? And we can tackle this together, come up with some ideas, impact on the NDAA, culminating with a tank meeting with all the leaders there, with myself, and solve this thing together. Can I get your commitment you'll work me -- with me on that?

Mr. Shanahan: Senator, you have my commitment.

Senator McSally: Thank you.

Chairman Dunford?

General Dunford: Absolutely, Senator.

Senator McSally: Okay, great. Let's follow up immediately on that. I appreciate it.

I want to shift to a different topic. I was over in -- on the Korean Peninsula, less than a year ago, visiting the troops, and I will tell you, I am so proud of them and their ability to fight tonight, and everything that's been done by our military and the services to make sure that we were using all elements of national power to crank up the pressure with a deterrent capability to keep the pressure on North Korea for the negotiations and to thwart the threat that they are.

I want to get some clarity, Secretary Shanahan, on exercises. As we know, military exercises, every single
day. I mean, every day, you -- you're going out with your squadron, your unit, and you are making sure that you're ready to fight tonight. But, people rotate in and out over there every year. And so, large-scale crisis-response exercises are critical for us to have that decisionmaking process for key leaders at the highest level. So, can you just clarify where we are with military exercises on the Peninsula, and what the decisionmaking process was on that?

Mr. Shanahan: Right. So, Senator, the exercises that we have on the Peninsula, which are ongoing as we speak, and the Minister of Defense for South Korea, the ROKs, will come see me at the end of this month, and we'll discuss progress and the findings of those exercises. But, they're -- they were redesigned this year for three things: support the peace process, the expanded responsibilities of the South Koreans, in terms of operational control, and to --

Senator McSally: Okay.

Mr. Shanahan: -- maintain foundational readiness. And I -- underlying all of this is maintaining the readiness we need if we're called to fight tonight.

Senator McSally: Right.

Mr. Shanahan: We've sustained that readiness.

Senator McSally: Okay. So, are you -- can you say that, with the adjustment -- I understand turning the volume down so it's not being so provocative, but those higher-
level operational crisis exercises, the command-post level and beyond, decisionmaking for new leaders, is really important --

Mr. Shanahan: Right.

Senator McSally: -- especially as they rotate so quickly over there. Are -- can you assure us that there will be no degradation in the readiness --

Mr. Shanahan: Right.

Senator McSally: -- to fight tonight, based on adjustments to the exercises?

Mr. Shanahan: I have had personal conversations with General Abrams, and I can assure you there will not be degradation. We will have the capability we need.

Senator McSally: Okay. Thank you.

Thank you, Mr. Chair.

Chairman Inhofe: Senator Peters.

Senator Peters: Thank you, Mr. Chairman.

Thank you, to our witnesses today.

Before -- Assistant -- or Secretary Shanahan, before I ask you a few questions, I just want to go back and get a little bit more clarification from some of the answers that I've heard to Senator King and Senator Hirono.

I noticed, in the budget, there is a line for $9.2 billion for emergency --

Mr. Shanahan: Right.
Senator Peters: -- for FY20. Is that 9.2 billion that you're asking Congress to appropriate related to the emergency declaration that the President has made?

Mr. Shanahan: 7.2 billion of it is, and 2 billion is for hurricane.

Senator Peters: So, you're asking Congress to appoint -- or to appropriate $7 billion to deal with what the President has declared an emergency. I want to be clear about that.

Mr. Shanahan: Correct.

Senator Peters: So, the Senate, as you know, will be voting later today on a resolution of disapproval relating to this emergency declaration. Is it safe to say you would revise the request for national emergency funding if a majority of the House and the Senate disapproves of the emergency declaration?

Mr. Shanahan: I will stick to the budget that we've submitted.

Senator Peters: But, if there's not an -- if we don't approve an emergency declaration, why would you come and ask us for money for an emergency declaration?

Mr. Shanahan: I will work with this Congress to get the right top line.

Senator Peters: So, you will look at that and revise it, if necessary, if we disapprove it.
Mr. Shanahan: I'll work with the committee and I'll work with the Congress to get the right top line.

Senator Peters: Could you describe the Department's response to the request for assistance that DHS sent a few weeks ago, and perhaps provide some characterization of the specifics in that request for us? I also serve on the Homeland Security Committee. I think it would be helpful to know.

Mr. Shanahan: Right. Which request for assistance is this?

Senator Peters: On the southern border.

Mr. Shanahan: It's just -- is this -- yeah, there's been a number of them.

Senator Peters: Could you give me -- could you characterize what the -- what they have been asking for and what -- your response?

Mr. Shanahan: Right. I'll -- do you want to --

General Dunford: Sure.

Mr. Shanahan: Okay.

General Dunford: Senator, I'll take that, if you don't mind. The --

Senator Peters: Yes.

General Dunford: -- the most recent request requested our engineers to reinforce some of the infrastructure along the border. And we also have some soldiers that are
supporting the detect-and-monitor mission by manning cameras that allow Customs and Border Protection to see what activity is ongoing around the border. Those are the two primary tasks. And that's, of course, in addition to the National Guard sustain mission, which provides rotary-wing aircraft for surveillance, some logistics support, some planning support, and some intelligence along the border.

Senator Peters: Thank you.

Secretary Shanahan, at your confirmation hearing for the position of Deputy Secretary, I asked you about what was previously known as the "third offset" that essentially was using technology to improve military tactics and strategy. We had a further conversation about that in my office, and I appreciate that. Your predecessor as Deputy Secretary, Bob Work, championed the initiative and sought out ways to use technology to create and maintain an advantage over our competitors, very similar to what was envisioned in the National Defense Strategy.

Well, now that you've been inside the Department, I'm going to ask this question again. Now, as an insider -- before, I asked that, prior to your appointment -- what is your view on how technology's going to impact warfare? And, in particular, give me a sense of how you view the most disruptive technologies to some of our legacy weapon systems that are pretty much ingrained in DOD culture, also tend to
be incredibly expensive. But, as we're thinking about this budget going forward, that could change very dramatically. Give me your sense and how that is reflected in this budget.

Mr. Shanahan: Absolutely. And, to Bob Work's credit on the third offset, that was the underpinning for many of the concepts that we're requesting funding for this year. So, in terms of the four major disruptive capabilities, they are space, missiles, cyber, and autonomy. So, take, for example, missiles on -- in answering your question: low cost, cost-imposing, and attritable versus very expensive, manned assets. Same can be said -- spoken for cyber, all the effects that you can create with cyber. When we think about the trade in cost, terms of being able to deploy forces, versus effects -- significant cost imposition. Space, you know, when we think about having unfettered access to the world, outer space provides us that environment.

Senator Peters: So, when you're talking about some -- I -- my time is running low, but you're talking about some of this disruptive and autonomy. So, when you think about legacy systems of pilots and airplanes and aircraft carriers, things of that nature, all of those things we should be looking at --

Mr. Shanahan: Absolutely. I mean, when we think about the challenge to find pilots, that challenge goes away.
When we think about surface/subsurface and the capability to build for lower cost, hide and suspend for longer periods of time, these are real enablers. And the cost to support them is significantly less.

Senator Peters: Thank you, Mr. Chairman.

Chairman Inhofe: Thank you, Senator Peters.

Senator Blackburn.

Senator Blackburn: Thank you, Mr. Chairman.

And thank you all for being with us today.

Mr. Shanahan, I want to move a little bit of a different direction as we talk about budget and priorities. I'm from Tennessee. I spent 16 years in the House and represented a district that was home to Fort Campbell and many of the enlisted men and women that are there, the 101st, 160th, 5th Division, and have really developed a good working relationship with those families and the enlisted, and also with command teams that have been there that have done such a terrific job. We have some of those that have served at Fort Campbell that are members of our team. So, we hear a good bit from them, and hear about their concerns. And I join Senator Cotton in being tremendously concerned about the Budget Control Act from 2011, with the sequester that was placed on our military. That has not served us well. And my hope is that we're going to be able to solve that situation and address some of the problems that it has
brought forward.

But, one of the things I hear from, especially, our Special Operations guys is their desire to make certain that 5G technologies are available to them, and that those networks are secure. And I appreciate that in your testimony you mentioned three of your priorities as cyber, hypersonics, and space. And we have had our COCOM hearings and have talked some about the placement of these technologies so that we're fighting 21st-century warfare and that we're not just focused on today.

And I'll tell you, one of the things that I've heard a little bit of scuttlebutt about that causes me some concern is that maybe some of the fighter pilots from Air Force are not that excited about having a Space Force that would function there as Air Force. So, I want to give you a couple of minutes to talk about Space Force, how you see it standing up, how you expect to deploy it, how you intend to protect the funding for that so that we are looking forward as well as tending to today.

Mr. Shanahan: Thank you, Senator.

The -- with 2 minutes, I'll go as quickly as I can.

Senator Blackburn: Good.

Mr. Shanahan: I'll summarize it this way. Our Nation, our $19 trillion economy, and our military, we're carrying too much risk, given the vulnerability we have in space now
that space is a contested domain. The Space Force represents a chance to accelerate our ability to respond to that threat environment. The Space Force really gets after three items in order for us to be -- to reduce that risk:

The first is, the assets that are on space -- in space were never designed to be resilient and deal with the threats that exist today. It's a bit like, "You can't pick your parents." We need to design new capability and put it up on orbit as quickly as possible. Space Force recommends a Space Development Agency, which really gets at cutting the redtape to do development and tapping into commercial space technology, save costs, save time.

The second is, stand up the Space Command, much like we've done Cyber Command, so that we can focus, have dedicated focus to provide the rules of engagement, authorities, and the tools to defend our assets.

And the third is, bring together and train. Make space a dedicated profession, where we can provide this cadre of professionals the right training so that they have the ability to have a career that leads to --

Senator Blackburn: Well done in a summary. And now give me 15 seconds on great-power competitiveness with China in this arena.

Mr. Shanahan: I think we've been ignoring the problem too long.
Senator Blackburn: Well done.

Yield back.

Chairman Inhofe: Thank you, Senator Blackburn.

Senator Warren.

Senator Warren: Thank you, Mr. Chairman.

And thank you, to our witnesses, for being here.

So, the administration has submitted a national defense budget request for $750 billion for next year. That is a pretty big number even by the Department's own standards. In fact, the budget rules govern how much money is available for defense spending, is set at $576 billion, which is still a huge sum. But, you're requesting $174 billion more than the amount that is allowed by law; 165 billion for the overseas contingency operations, OCO, and another 9 billion for emergency funds for the wall. Now, some of the things in the DOD budget request seem to me to point in the right direction -- more investments in research, for example. And we need to have a much larger conversation about whether these budget caps make sense, and how defense and nondefense priorities should stack up. But, right now, I just want to dig into how you got your numbers so all of the nondefense budget experts out there can understand the tricks the administration is using to justify skyrocketing defense spending.

Secretary Shanahan, the Department proposes to get
around the budget rules by requesting that 165 billion extra
dollars in the OCO account. The amount in the OCO account
is not counted toward statutory budget caps. Is that
correct?

Mr. Shanahan: Yes.

Senator Warren: Okay. So, let's dig in a bit, then,
on OCO. As the cost to fight the war in Iraq and
Afghanistan began to increase in the early 2000s, Congress
had to pass emergency supplemental appropriations every
year. So, in 2009, President Obama established OCO so that
they can set aside funds for this and other related
operations. And because those funds are for emergencies,
they don't count toward the overall limits in defense
spending, as you just said. This year's OCO request is a
140-percent increase from the 69 billion you requested for
OCO in last year's budget. So, tell me, did the cost of
supporting our overseas operations suddenly increase by 140
percent last year?

Mr. Shanahan: Senator, they did not.

Senator Warren: They did not. Okay. In fact, the
last time OCO account was even close to the amount you've
proposed for next year was in 2010, when we had
approximately 100,000 troops deployed in Afghanistan and
another 50- to 100,000 troops in Iraq. Today, we have about
21,000 troops in Iraq, Afghanistan, and Syria, combined, a
number that's largely unchanged from last year. So, let me
ask another question. Since last year, has the Department
deployed a large number of troops to fight a war someplace
other than Iraq, Syria, or Afghanistan?

    Mr. Shanahan: Senator, no, we have not.

Senator Warren: Okay. So, the actual cost of
supporting operations overseas did not increase by 140
percent, and we haven't launched a war someplace else,
triggering that kind of emergency. And yet, you're asking
for $165 billion for, quote, "overseas contingency
operations." I just want to be absolutely clear so the
taxpayer understands. You're requesting funding in OCO to
fund activities that have nothing to do with the reason that
OCO was established. Is that correct?

    Mr. Shanahan: What we've done this year is, we've
taken our base budget from last year, per the Chairman's
blueprint, grown our budget 3 percent in real growth.

Senator Warren: Okay. I appreciate it. But, you can
just answer my question.

    Mr. Shanahan: Yeah.

Senator Warren: And that is --

    Mr. Shanahan: The --

Senator Warren: You're requesting funding in OCO to
fund activities that have nothing to do with the reason that
OCO was established. Is that right?
Mr. Norquist: So, Senator, to make it transparent, if you go through the budget material, we've got it in two groups. One is what you think of as traditional OCO, and the other is clearly labeled "OCO for base." And that's the distinction you're --

Senator Warren: So, I --

Mr. Norquist: -- looking for.

Senator Warren: You can call it whatever you want. We know why OCO was established. And my question is, Are you asking for this increase for the reasons that OCO was originally established? It's an easy question.

Mr. Shanahan: No --

Senator Warren: Secretary Shanahan?

Mr. Shanahan: No, we're asking for a $750 billion top line, and we want to work with this committee to get the appropriation and authorizations proper.

Senator Warren: You're asking for an increase in OCO for purposes that OCO was not established. In fact, your own staff said so yesterday. They said you're asking at least for 98 billion for things that have nothing to do with contingency operations. And I'm not quite sure why you can't say that.

What we're really talking about here is the establishment of a slush fund to hide what's happening with defense spending and get it out from underneath the
statutory caps. I think it's time to stop this business of
more, more, more --

Mr. Shanahan: Yeah.

Senator Warren: -- for the military.

Mr. Shanahan: Sure.

Senator Warren: And establishing a slush fund like
this, and saying, "Oh, because we put it in two different
accounts" --

Mr. Shanahan: Yeah.

Senator Warren: -- somehow changes the fact is just
not true. And we just need to be honest with the American
people about how much we're spending here.

Mr. Shanahan: Senator, we have provided, in our
justification books, 100-percent transparency. There is no
slush fund. We can take the money and tie it back to the
National Defense Strategy and what we need to defend
America.

Senator Warren: I have --

Chairman Inhofe: Thank you, Senator --

Senator Warren: -- no doubt that you see this --

Chairman Inhofe: -- Warren.

Senator Warren: -- is more, more, more.

Chairman Inhofe: Senator Hawley.

Senator Hawley: Thank you, Mr. Chairman.

Thank you, gentlemen, for being here.
Let me start by saying that -- first, a note just about Fort Leonard Wood. I'm looking forward to seeing the budget justification books next week so we can see the details about the budget, itself. I'm anticipating it will include an increase for the Army's Chemical School at Fort Leonard Wood, in Missouri, my home State. And these are professional soldiers, of course, who train and respond to an adversary's use of chemical weapons on the battlefield. Four of the five threats, I'm struck, called out in the National Defense Strategy have a chemical weapons capability. And by investing in places like Fort Leonard Wood, we ultimately, of course, save lives on the battlefield. So, I'm very proud of the work that they do, and look forward to the continuing support -- the Department's continuing support for their important mission.

Let me just shift and ask about our challenge in emerging technologies, cyber, and space; in particular, China's investment in those areas, and our eroding advantage. I was struck, Mr. Secretary, by a comment that you make in your written testimony. You say, "Some U.S. companies have voiced ethical qualms about working with DOD to develop advanced technology. In some cases, even terminating relationships, often while continuing to work with China." What are we talking about, here?

Mr. Shanahan: I think we're talking about Google and
their support to China, and their lack of support to the
Department of Defense.

Senator Hawley: So, Google has refused to work with
the Department of Defense, actually was under contract,
weren't they, with the Department of Defense? Tell us about
that.

Mr. Shanahan: Well, they haven't refused, they just
have said they're not going to continue to do business with
the Department of Defense on certain contracts.

Senator Hawley: But, they are doing business in China
in a way that benefits, you're saying, our Chinese
competitors.

Mr. Shanahan: Correct.

Senator Hawley: Say more about that.

Mr. Shanahan: Well, the interesting thing -- and this
is why China is -- this is such an important issue for our
country. You have this -- the fusion of commercial business
with military is significant. $5 billion of -- $5 trillion
of their economy is state-owned enterprises, so the
technology that is developed in the civil world transfers to
the military world. It's a direct pipeline. Not only is
there a transfer, there's also systemic theft of U.S.
technology that also -- that facilitates even faster
development of emerging technology.

Senator Hawley: So, I just want to make sure that I
understand exactly what you're saying. You're telling me that Google, an American company, supposedly, is refusing to work with the Department of Defense, but is doing work in -- with China, in China, in a way that at least indirectly benefits the Chinese government. Is that correct?

Mr. Shanahan: I haven't heard the word "refuse," but there's a lack of willingness to support DOD programs.

Senator Hawley: General, you're nodding your head. Do you want to weigh in on this?

General Dunford: No, Senator. I'm nodding a head on exactly the point that you made, that the work that Google is doing in China is direct -- is indirectly benefiting the Chinese military. And I've been very public on this issue, as well. In fact, the way I described it to our industry partners is, "Look, we're the good guys, and the values that we represent, in the system that we represent, is the one that will allow, and has allowed, you to thrive." And that's the way I've characterized it. So, I was just nodding that what the Secretary was articulating is the general sense of all of us as leaders. And we watch with great concern when industry partners work in China, knowing that there is that indirect benefit. And, frankly, indirect may be not a full characterization of the way it really is. It's more of a direct benefit to the Chinese military.

Senator Hawley: I just want to underscore this for the
record so that we are absolutely, perfectly, 100-percent
clear, here, that Google, an American company based in this
country -- again, supposedly an American company -- is doing
work in China that directly or indirectly benefits the
Chinese government at a time of increased peer competition
with this country. We are in a struggle with the Chinese
government over whether or not they're going to become a
regional, and maybe global, hegemon with values very
different from ours, certainly values that do not favor
freedom in the world, and we have an American company that
does not want to do work with our Defense Department, which
is, you know, one thing, but they are happy to help the
Chinese, at least -- the Chinese government, that is -- the
Chinese military -- at least indirectly. I think that's
just extraordinary.

What are we -- in my time remaining, Mr. Secretary,
tell us what, from your perspective, we need to do to
maintain our competitive advantage on AI and these emerging
technologies. What do we need to see, going forward?

Mr. Shanahan: We need to -- well, two things. One, we
need to continue to invest. And this year's budget doubles
our investment in artificial intelligence. And then the
string that you're really pulling on, the talent is in this
country. We need to use the talent in this country. The
talent in this country needs to support our great-power
competition.

Senator Hawley: Thank you.

Thank you, Mr. Chairman.

Chairman Inhofe: Thank you, Senator Hawley.

Senator Duckworth.

Senator Duckworth: Thank you, Mr. Chairman.

Mr. Shanahan, I'd like to follow up with the line of questioning from my colleague from Arizona, Senator McSally. You know, I think there's no doubt we'll continue to see tensions in North Korea, on the Korean Peninsula, after the latest breakdown in talks between the President and Chairman Kim. How do you plan to use your position as Acting Secretary of Defense to reassure our allies in the region? We know our great friends, the Republic of Korea and Japan, have a much more tense and complicated relationship with each other. For example, there were questions about them sharing NEO plans with one another. What do you plan to do to work on bridging that gap?

Mr. Shanahan: Thank you for that question, Senator. That gap could be bridged at — well, I'll say, at three different levels. There's a relationship level. And I have relationships with the Defense Minister for Japan as well as the Republic of Korea. So, it's important that I play a role in keeping the two countries together there. Exercises that we'll do together. Technology that we'll
develop together, particularly in the area of missile
defense. As you well know, a sizable investment by the
Government of Japan is to put Aegis Ashore as well as
develop other, I'll say, defensive capabilities in the event
of an escalating situation on the Peninsula.

Senator Duckworth: So, you had answered Senator
McSally, saying that there would be -- not be any
degradation of our relationship and readiness as it pertains
to military exercises. But, are you changing the nature of
those exercises to, for example, simply being tabletop
exercises or just computer exercises, as opposed to how
they've been conducted in the past?

General Dunford: Senator, if you don't me taking that
question.

Senator Duckworth: Yes, of course.

General Dunford: The way I would describe it -- and
you're quite familiar with this -- what we have changed --
and I want to be clear -- is, we've changed the method of
training to focus on the mission-essential tasks that each
of the levels of command needs to be proficient in. What we
haven't changed is the outcome and the readiness to fight	onight. So, the way you characterize it is, in part, true,
that some of our large-scale exercises are done, now, with
simulation CPX -- Command Post Exercise -- and so forth.
But, what's really important to highlight is that, at the
battalion and the squadron level and below, there's been no changes to training and the ability of our men and women on the Peninsula to train in the integration of combined arms. We've made adjustments to our large-scale exercises. And what we've done is -- very quickly, I'll just try to highlight -- we've shifted from certifying our readiness, based on the conduct of an exercise, to a much more complex system, that General Abrams and Admiral Davidson have developed, which identified all the mission-essential tasks for every level of command in making sure that we have a proven method of developing proficiency.

And other thing I can assure you is that, as soon as General Abrams and Admiral Davidson have any concerns about their ability to maintain readiness -- and right now we're executing their plan -- they know that they come right back to the Secretary and I, and we will work with the Koreans to make adjustments. But, I can assure you, from a military perspective right now, I am quite confident in our 2019 training plan, and confident that that will deliver the level of readiness that we have historically done -- accomplished in large-scale exercises.

Senator Duckworth: So, you're saying that, for brigade and below, or battalion and below, there's no change as far as the leaders that see what's happening?

General Dunford: That is correct. That's an important
point, Senator. That is correct.

Senator Duckworth: So, above brigade, that's where the changes --

General Dunford: That's where the --

Senator Duckworth: -- have taken place.

General Dunford: -- changes are. And, in some cases, it's dialing down the volume of the exercises. As you know well, those exercises had two purposes; one was deterrence, one was proficiency. I'm confident right now that our exercise program does deliver the latter, proficiency in our mission-essential tasks.

Senator Duckworth: Have those exercises taken to -- into account the role of logistics in sustaining any type of a fight that we would have to engage in? I do think that we focus on what's happening on the Peninsula, but sustaining that fight long-term and then getting whatever we need, resources, there is a real challenge. The Pacific, as many people -- I don't think people realize how vast the Pacific Ocean is.

General Dunford: Right.

Senator Duckworth: Can you speak a little bit to the logistical challenges?

General Dunford: Senator, I can. In fact, this past year, we did what we call a Korea Readiness Review, and we played out the first 60 days of a Korean conflict, to
include the detailed logistics planning that was necessary
to support operations for the first 60 days. We, needless
to say, learned a lot during that exercise, but our
exercises absolutely include the logistics factors
associated with our ability to conduct operations.

Senator Duckworth: Thank you.

Our National Defense Strategy outlines a shift in
primary focus from countering violent extremism to great-
power competition. As Acting Secretary, Mr. Shanahan,
what's, specifically, do you plan to do in areas perhaps
less obviously impacted by either of these priorities? For
example, SOUTHCOM or AFRICOM.

Mr. Shanahan: SOUTHCOM and AFRICOM are critical, in
terms of defeating ISIS, dealing with regional threats. The
Chairman, in his role as the integrated global campaign
planner, we make sure that the risk in those areas, and the
resources required to manage, are properly delivered, both
to SOUTHCOM and AFRICOM.

Senator Duckworth: Thank you, Mr. Chairman.

Chairman Inhofe: Thank you.

Senator Cramer.

Senator Cramer: Thank you, Mr. Chairman.

Thanks, to all of you, for your service and for your
candor today.

Now, as I listened to Senator Fischer talk about and
ask about nuclear modernization, I wanted to follow up on that. And then I heard Senator Blackburn talk about Space Force, and I wanted to follow up on that. So, I'm going to try to combine the two as quickly as I can, because I think there are some similarities.

And I'll start with you, Secretary Shanahan. You know, many of the critics of nuclear modernization imply or state emphatically that we can't afford that, that it's unaffordable, that, in fact, we have to choose, in essence, between nuclear or conventional modernization. And yet, as I look at the budget, historically, and as I look at the budget, going forward, I see, for the most part, a peaking of modernization costs for the nuclear force at under 6 and a half percent in year 2029. Can we afford not to do it? I mean, the -- it seems to me that that's a pretty efficient use of deterrence dollars, and I would just like to hear you elaborate a little bit on whether we can afford it.

Mr. Shanahan: I'll ask David to talk about the affordability, but, as our competitors are building up their nuclear capabilities -- this is setting aside budget -- as our competitors are building up their nuclear capability, or modernizing, we should not unilaterally disarm. I think we have to start there.

Terms of timing of the budget, David, maybe you could speak to that.
Mr. Norquist: Sir, the -- Senator, the numbers you used are correct. The peak is about 6 and a half percent. When you realize that in -- normal maintenance runs 3 percent. Right? That's -- that increase, for the amount of peace and stability that that deterrent provides us against what is probably the most catastrophic threat we can face, I think is a reasonable and sound approach, and something that you'd want to be very careful about changing, because of the stability that it provides globally and for the safety of the American people.

Senator Cramer: Okay. So, then let's move to space, because I think I have a similar line of questioning as it relates to the affordability of it. I understand concerns. I could -- it's easy to see why somebody that has a particular system within the Air Force might feel threatened by a competing -- you know, competing for limited dollars. And, Secretary Shanahan, I think you've referenced it, at least to some degree, and I'd like to have you elaborate even a little more on the efficiencies that can be found. Clearly, space is a realm that we're competing in. Clearly, you're -- we need to probably ramp up some of our capabilities there. As you pointed out earlier, you know, we need -- we don't -- we can't pick our parents. The resiliency isn't what it needs to be. And yet, maybe you could speak to -- and maybe this would be a good one for the
Comptroller, as well -- to the efficiencies that will be found in the process of creating a Space Force as a sixth branch.

Mr. Shanahan: I think, on the efficiency side -- and I've had conversations with Senator Reed on this subject, and many in Congress are experts in this area -- we can't build a bureaucracy. In standing up the Space Force, we have a chance to build it from the bottom up. I think we'll build a bureaucracy if we build it from the top down. So, it's an opportunity to build it correctly.

The biggest effort needs to be at retiring the risk. We're too vulnerable. And, you know, it's a little bit like the nuclear conversation. I actually think it's going to cost us less. I mean, we've -- I've had lots of arguments about whether that's true or not. I think, in -- at the end of the day -- I mean, what we hear quite a bit is, "This is change versus the status quo." This is a fundamental structural change. But, in that structural change, we'll get after reducing our vulnerability, and I really believe, the end of the day, have more capability and more money, terms of, we won't have spent as much.

Senator Cramer: Well, and maybe speak a little bit to the realigning of existing space programs as part of that efficiency, if that makes sense.

Mr. Shanahan: Yeah. No, absolutely.
The -- you know, when we talk about standing up a new service -- this is a very small service. You know, you think about 15- to, you know, 18,000 people, so it's really not about a large group being consolidated. This is really talking about, How do you consolidate development efforts within the Department? So, how do we take what's being done -- you know, the Army's going to undertake a brand-new modernization program. How do we combine that with work going on in the Air Force, with what's going on in the Navy, and then integrate it into all the combatant commands? This is really about doing it at a DOD level. And these are, like, once-in-a-generation opportunities. Since we must address the contested environment, and we're going to make significant changes, why not do it at an integrated level for the Department instead of, you know, in each service?

Senator Cramer: Well, your answers were as efficient as I expect the Space Force to be. Thank you very much.

Mr. Shanahan: Thank you.

Chairman Inhofe: Thank you.

The Minority Leader had a question, and has a scheduling problem, so let's go ahead and recognize him --

Senator Reed: Thank you.

Chairman Inhofe: -- and then we'll get to the rest of them, if that's acceptable.

Senator Reed: Thank you, Mr. Chairman. You're very
gracious. I appreciate it.

I'm trying to clarify the debate that Senator King
initiated about projects at risk. And I'm going to take the
really, really dangerous path for a social scientist to try
to break it down into simple numbers, particularly dealing
with an engineer and a numbers person. And bear with me.

Let's say X equals the authorized MILCON for the last 5
years. That's the universe. Y equals the unobligated
MILCON projects after September 30th of this year. X minus
Y, or Z, equals those projects that are at risk of being
captured for the wall, with some limited exceptions. No
public housing, et cetera. You know what that Z is right
now. You have the list. Is that correct, Mr. Shanahan?

You have the ability to create the list.

Mr. Shanahan: Let me make sure I understand what Z is.

I'm going to look at my friend, here.

Senator Reed: Okay.

[Laughter.]  

Mr. Shanahan: So, Z is --

Senator Reed: Z --

Mr. Shanahan: We know what that universe of projects
is.

Mr. Norquist: The -- if the question is, What is the
universe of either unobligated projects or unobligated
projects after a certain date? Those are things that can be
generated, yes.

Senator Reed: Exactly. And those projects, with the exceptions you've mentioned -- family housing and some others -- are all subject to being taken away to fund this wall. They might not all be taken, but they are the projects at risk, correct?

Mr. Shanahan: That's the pool.

Senator Reed: I would like that list today, Mr. Secretary.

[The information referred to follows:]

Mr. Shanahan: Sure.

Senator Reed: Thank you very much.

Mr. Shanahan: Absolutely.

Senator Reed: So, we'll be waiting. I'll be -- my fingers --

Mr. Shanahan: Right.

Senator Reed: -- and we'll have that list. So we'll -- everyone will know is at -- what project they have to worry about --

Mr. Shanahan: Sure.

Senator Reed: -- going forward.

Mr. Shanahan: Okay.

Senator Reed: Is that it?

Mr. Shanahan: Yeah. Thank you for the clarification.

Senator Reed: That's a deal?
Mr. Shanahan: Yeah. That's a deal.

Senator Reed: Thank you, Mr. Chairman.

Chairman Inhofe: Thank you, Senator.

Senator Heinrich.

Senator Heinrich: Can I assume that there are congressionally appropriated FY19 projects that received military construction funding that are going to be in that list?

Mr. Norquist: Because of 5-year monies, yes.

Senator Heinrich: Yeah. I can't tell you, Mr. Chairman, how inappropriate I think that is. Congress has the power of the purse. This is wrong. This is abusive. And we should do something about it, all of us, because I guarantee you, if you let this happen, it will happen under the next President and the next President, and you won't always like how this money gets spent.

Acting Secretary, how much do you know about PFAS?

Mr. Shanahan: Well, I understand the nature of the chemical. So, when we talk about it being a fire retardant and being used over -- extensively and militarily and commercially, and the issue of it being in the water supply.

Senator Heinrich: So, have you had a chance to read the article in the New York Times this morning with the headline, "Pentagon Pushes for Weaker Standards on Chemicals Contaminating Drinking Water"?
Mr. Shanahan: Yeah, I haven't had a --

Senator Heinrich: Okay.

Mr. Shanahan: -- chance to read the paper.

Senator Heinrich: I would ask that you read that.

Mr. Shanahan: Sure.

Senator Heinrich: I hope it's highly inaccurate.

Mr. Shanahan: Okay.

Senator Heinrich: The second clause in the first sentence says that the Pentagon is pushing the Trump administration to adopt a weaker standard for groundwater pollution.

Mr. Shanahan: Yeah.

Senator Heinrich: Are you aware of any conversations going on in the Pentagon that would push for a standard that was not set by the best-available science?

Mr. Shanahan: Right. I -- I'm not aware of any conversation. And I shared with Senator Shaheen that I would follow up with her, also, on this matter after I have a chance to investigate. And I'll do the same with you.

Senator Heinrich: I would deeply appreciate that.

The right way to do this is to follow the science.

Mr. Shanahan: Right.

Senator Heinrich: The right way to do this is not to set a standard based on trying to limit liability.

Mr. Shanahan: Right.
Senator Heinrich: I know that there is -- we're going
to have a big pricetag attached to this. There is no
question about that. But, we're also going to have a very
big human cost associated with this. And I'll just give you
one example.

Highland Dairy Farm was forced to close its doors in
New Mexico after 25 years. That's a local business. For
months, because of this contamination, they had to dump
12,000 to 15,000 gallons of milk per day. That's enough to
give a carton at lunch to 240,000 kids. That is one example
of how this is impacting the communities that have been
enthusiastic about hosting our Air Force and other military
establishments.

We are going to need to get in front of this. And I
don't think it has received adequate attention from the
Pentagon. And so, I look forward to working with you on
that. But, we're at the front end of this, and there's
going to be a lot of work that's going to have to go into
trying to make this right for these communities.

I very much agree that our competitors are rapidly
fielding new capabilities in the space domain, and that we
need to move with a greater sense of urgency. I welcome the
increased prioritization the Department has put on this
area, and your focus on that. And, in terms of R&D as we
stand up a Space Development Agency, one of the things I
want to make sure we're not doing is reorganizing the existing pieces or reinventing the wheel. Things like the Space Rapid Capabilities Office, the Space Vehicles Directorate, the Advanced Systems Directorate, and many others, all are -- play a critical role in researching, developing, and fielding our Nation's space systems. So, I would just urge you, as you look at that, and urge Secretary Wilson, Dr. Fred Kennedy, Dr. Mike Griffin, all to fully utilize the existing R&D assets as you stand up SDA so that we're not losing a few years of reorganization to make the whole system work better.

And if you have any thoughts on that, I'd love to hear them.

Mr. Shanahan: No, I -- when I think of the Space Development Agency, what I don't want it to be is a reorganization. The number-one element of the Space Development Agency that we need to take advantage of is large-scale systems engineering. How do we put together a national team so that we can do this at scale? There is incredible technology in the Air Force. We don't lack for talent. That is not our issue. We don't lack for money. The architecture that's required to be able to do this quickly so that we don't have to do it three or four times is really the problem we have to get after.

Senator Heinrich: Thank you, Chair.
Chairman Inhofe: Thank you, Senator Heinrich.

Senator Jones.

Senator Jones: Thank you, Mr. Chairman.

And thank you all for being here today, and for the service provided to this country, and, to all those behind you, for their service, as well.

You know, as we approach these hearings, we hear a lot about the threat assessments and our nuclear capabilities and our hardware. Often, we overlook, sometimes, the very human element of this. And, as you probably are aware, this committee's had a couple of hearings about some serious -- I think, very serious ongoing health and safety problems with privatized housing on our military bases. Some of those have occurred in my State, at Maxwell Air Force Base and at Fort Rucker. And I did not notice any language in either of your statements on this particular topic. Not surprising. I'm not criticizing that. But, I would be interested in hearing your thoughts on these issues and whether or not any of these issues are going to be resolved through the budget that you're proposing this year. And I'll ask the --

Secretary Shanahan and General Dunford --

Mr. Shanahan: Yeah. So, maybe I'll just start out with -- it's an embarrassment where we are, so I'm not going to defend anything. It's a leadership failure. Once we get past that, it's, What are we going to do about it? I've had
considerable interactions with the service secretaries, and they've assured me, for the time being, they'd like to run with the lead to address the problem. But, the conversations I've had with them are like this, "It's okay if we identify the problem. Let's make sure we put the resources that are required to be responsive in place."

That's what I'm -- intend to follow up on. And the second piece is, we can't fall into this hole again. What is the enduring issue? But, for the families that are in these -- the servicemembers and their families, we need to rapidly address the problem. Let's make sure the resources are put in place.

Senator Jones: General?

General Dunford: Senator, I -- first, I agree with the characterization of the problem, the Secretary's comments about the sense of embarrassment about the conditions that we found recently in family housing. The Secretary talked about it from a resource perspective. I can assure you that the leadership in the Department has gripped this issue, and the services have done things, like make sure that a leader goes and visits each and every individual's home so that we have a personal hands-on view of the conditions under which our men and women are living.

And when the Secretary talks about a leadership challenge, it's very simple what happened. We contracted
out for family housing, some years ago, and a gap grew
between leadership and the contractor. And that should not
be the case. Leadership should be decisively engaged in the
overseeing of those contracts, and, more importantly, should
be decisively engaged in the challenges that our men and
women have in family housing.

And so, there is a resource issue that you spoke about,
there is a human element to it, which is the men and women
in those houses, but there's also the important leadership
point that the Secretary mentioned, and that is, making sure
that our leaders are, in fact, decisively engaged in all
aspects of our men and women's lives; in particular, the
housing.

Senator Jones: Great. Thank you both.

And the resources -- I'm assuming you're talking about
our military and the various leaders on the bases getting to
the bottom of this and trying to correct it. But, I'm
hoping that the resources to actually correct these problems
are going to be borne by these companies who are making the
profits.

Mr. Shanahan: And that's my concern, is -- we'll
identify the issues, and then we'll say we'll fix them, and
it'll take too long. We need to fix them quickly. And if
it means getting extra resources, these companies, they need
to find a way to do that.
Senator Jones: All right. Thank you. There's nothing in the budget, though, that we -- that we're looking at to budget to actually fix the resources, as opposed to first looking to the contractors. Is that -- would that be fair?

Mr. Norquist: We are, first, looking to the contractors to do it. We have resources in the budget, should the committee want to address additional things, but the contractors are the one responsible for delivering the service at the rate they were funded.

Senator Jones: All right, great.

Secretary Shanahan, I'm really interested in additional funding in the budget for hypersonics and directed-energy programs. A lot of that work is going on in my State, up in Huntsville. Are you anticipating any new programs or more funding for existing programs in those areas?

Mr. Shanahan: Well, this budget has a sizable increase in hypersonics, and then we continue to double down on directed energy. Most of the focus in directed energy is to get a form factor so we can operationally deploy these concepts. But, you'll continue to see more and more funding going towards these technologies.

Senator Jones: Great. Well, thank you very much.

Mr. Chairman, thank you very much for the time.

Chairman Inhofe: Thank you, Senator Jones.

Senator Wicker.
Senator Wicker: Thank you very much.

General Dunford, thank you so much for being here, and thanks for dropping by and chatting with us the other day at my office.

Let me ask you about LHAs and LPDs. There's pressure to build a fleet better able to face Chinese and Russian precision missiles. The Navy, therefore, appears to be reducing its investment in warships, like LPDs, big-deck amphibs, and aircraft carriers, to free up money for more offensive weaponry on smaller surface ships, submarines, and aircraft. Additionally, moving the build of the new amphibious ships into the future would likely delay the Navy's ability to reach its goal of 38 amphibious ships from the current level of 32.

General, does the Marine Corps still have a stated need for 38 amphibious ships, as indicated in the Navy's force-structure assessment? How many amphibs do we have in the inventory today? And do you foresee eliminating Marine Corps core mission of amphibious operations at any point in the near future?

General Dunford: Senator, the requirement you identified, of 38, is still the requirement. I went back, after our conversation, to just check to make sure what the facts were. The requirement is 38. The 355-ship program of record that was submitted last year, I think they're working
minor adjustments, but there's still a cardinal direction of
the Navy. And the issue with the amphib ships inside of
this program was an issue of sequencing. They -- the Navy
put a higher priority on other platforms during this period
of time, but did not walk away from the requirement or the
long-term plan to have those ships in place.

Senator Wicker: Now, in terms of facing the Chinese
and Russian threat, just inform the public, through the
mechanism of this hearing, how the amphibs fit into that.

General Dunford: Senator, it's critical for us to be
able to project power in the context of China, and to seize
-- one of the traditional missions of the Marine Corps is
seizing advanced naval bases. And if you look at the island
chains and so forth in the Pacific as platforms from which
we can project power, that would be a -- an historical
mission the Marine Corps has, and one that is very relevant
in the China scenario.

Senator Wicker: Projecting power with marines being
transported by these amphibs.

General Dunford: That is correct, Senator.

Senator Wicker: Right.

Secretary Shanahan, last year Congress appropriated
considerable funds toward both LHA-9 and LPD-31, yet those
two ships were not funded in this year's budget request. We
just heard General Dunford's answer. So, why did the
Department withhold funding for LHA-9 and LPD-31 in this year's budget? If both these ships are going to be built at some point, wouldn't you agree that we should fund them in the most cost-effective manner? And were both the Navy and Marine Corps in agreement with this decision to delay funding of the LHA-9 and LPD-31?

Mr. Shanahan: Yeah. Senator, what I recall, in the development of the plan, there was a -- it was a sequencing, not a requirement, issue, in terms of -- General, you know the -- in terms of the -- providing the availability. Yeah.

General Dunford: You know, Senator, the issue -- when they looked at all the money that was available to the Navy, and they looked at the shipbuilding plan, they prioritized other platforms within this program over those two amphibious ships, and they moved those two amphibious ships outside the program without adjusting the requirement.

Senator Wicker: Okay. So, the requirement's there, but the sub-part of my question about the efficiency of building them in the most cost-effective and efficient manner, would you -- either of you care to comment on that? Wouldn't it make sense to do it in the most efficient manner?

Mr. Shanahan: It would.

Senator Wicker: And what has been proposed is not necessarily that, is it?
Mr. Shanahan: I can't speak to the specific --

Senator Wicker: Could you, General Dunford?

General Dunford: Not with regard to what the
difference would be in the cost of the ship or the
efficiency within the program, as opposed to outside the
program. I can't talk to that, Senator. But, we can get
back to you on that specific question.

[The information referred to follows:]

Senator Wicker: Okay.

Thank you very much. Appreciate it.

Chairman Inhofe: Thank you, Senator Wicker.

Senator -- yeah, Senator Manchin. I believe -- yeah,
he was here first. Yeah. Senator Manchin.

Senator Manchin: Thank you, Mr. Chairman.

And thank all of you. I'm so sorry. We get --
sometimes we get shortchanged here and we have to go to
different meetings. And I'm handling an Energy meeting now.

But, I just wanted to thank you all so much.

And so, Secretary Shanahan, as you know, State-owned
National Guard facilities that cause PFAS contamination do
not have access to defense environmental restoration dollars
like Active Duty bases do. And Senator Gillibrand had a
situation similar to what I had in Martinsburg. And I think
you're familiar with both of those. So, I think my question
would be -- National Guard units use the same firefighting
foam that the Active components use. The training is often the same. It makes no sense for the National Guard to not have access to these dollars. So, would you be supportive of a similar amendment this year if we could get access to them?

Mr. Shanahan: Yes, I would.

Senator Manchin: Okay. And you've been brought up to speed on that.

Mr. Shanahan: I'm not totally up to speed on that particular --

Senator Manchin: We'd love to -- if we could -- you tell us who to designate in your -- on your staff, and we'd love to bring you up to speed, because it would be very helpful, because it's really been detrimental to the community.

The President's budget request is something I wanted to go over. A combination of emergency funds as well as other budget shell games. You gave us an $8.6 billion -- I think you all might have touched on this. What we're looking at is a holistic approach of how we're able to secure our border and, really, the immigration challenges we have. Do you all know how many of the -- maybe you have this -- as far as the DACA -- some DACA children that are involved in military, do you have a -- do you have any idea? That would -- it would be helpful to us if we could find out how many
of these young people are participating in defending our
country that are asking to be considered as being available
to be a citizen of our country. I think it would be quite
appropriate for us to be able to know that.

[The information referred to follows:]

Senator Manchin: Again, a big thing with me, when
Senator -- God rest his soul -- Senator McCain was here, is
the audit. And you might have touched on this, and my
question might have been asked. If there's something on the
audit that you can give me an update on where we are and
what your intentions are and how we can get a complete audit
of the Department of Defense, would be very, very, very
helpful.

Mr. Norquist: Senator, I'm always happy to give an
update on the audit for you.

Senator Manchin: Okay.

Mr. Norquist: So, we've started the second. We've
completed the first-year audit. We received over 2,300
findings. We have corrective action plans that each of the
services are developing to address those. The major areas
of focus this year are, particularly, inventory, information
technology, and real property. Those services will be
executing those. The auditors have already started the
second audit. They don't wait. They come right back and
begin the next year. They'll be testing the progress on
those and we'll -- I think we do twice-a-year updates to the committee staff, and we expect the reports to be completed and delivered to us, on the second-year audit, on November 15th.

Senator Manchin: The other thing I need to know and have more information, whoever would be responsible for, is the procurement, how we are -- the procurements we handle, the changes that have been made in procuring, you know, all the different types of anecdotes and jokes have been made about how we buy things and what we pay for things, and things of that sort. I'd like to be able to go back to the citizens of West Virginia and say that we are investing the money properly. They have total support -- they have given total support for the military. They want to make sure that we're using the resources in the most prudent way.

Mr. Shanahan: Senator, we'd be happy to put together for you to be able to share: here's how we've been saving money, here's where we've been saving money, here are our plans to save even more.

[The information referred to follows:]

Senator Manchin: The other thing, Secretary Shanahan, is on the F-15X, if you could explain to me a little bit about that. If the experts in air combat in the Air Force identify a need for the F-15X, then what does OSD know that the Air Force doesn't about the future threat environment?
Mr. Shanahan: Oh, yeah, let me address that. So, my responsibility in pulling together the budget is to make sure we identify what are the threats and campaigns that we need to structure, develop, do force design and force development. The services, the joint staff, and the cost assessment and performance evaluation organizations then do the analysis. So, I can ask the Chairman on what the recommendation, in terms of mix of tactical aircraft.

General Dunford: Senator, I spoke at length with the Chief of Staff of the Air Force and others on this issue. And so, I can give you the framework for making the decision.

Senator Manchin: Sure.

General Dunford: First, the primary aircraft of the future for the Air Force is the F-35. And they're not walking back off that program or the importance of the F-35 program. But, as they looked over the next several years, they had two problems. They had, one, capability represented by the fifth-generation aircraft, the F-35, and then they had capacity issue, both numbers of aircraft plus the amount of ordnance that could be carried by those aircraft. And then they had the F-15C, which was aging out in the 2027-2028 period. So, within the next 5 or 10 years, the best solution was to go to the F-15 -- it's called EX -- platform to backfill the F-15. Eventually, we'll get to an
all-F-35 program. But, from both a cost perspective and a
capacity perspective, this particular mix of aircraft, for
the near term, was determined to be the right mix of
aircraft. So, again, not walking off the fifth generation,
but the near term, need that combination of a fourth
generation and a fifth generation to generate capacity. And
I would add that the F-15X is slightly less expensive from
-- for procurement than the F-35, but it's more than 50-
percent cheaper to operate over time, and it has twice as
many hours, in terms of how long it lasts.

Chairman Inhofe: Thank you, Senator Manchin.

Senator Kaine.

Senator Kaine: Thank you, Mr. Chair.

And thank you, to the witnesses, for your testimony and
service.

I was late to the hearing today because Secretary Esper
asked me to accompany him to Fort Belvoir to visit with
military families about the housing issues. And I've got to
tell you, I did a visit on Norfolk Naval Base last Friday,
so my expectations were pretty darn low, but I'm just
stunned after talking to these families. The physical
condition of their units -- mold, water damage; poor, shoddy
construction; poor, shoddy repairs -- the lack of
responsiveness, that they can't get response from the
housing companies, that they're told, when they go to chain
of command, "We don't do this anymore. We don't have any responsibility," that, when they do get a response, the quality of the repair work done both by the maintenance connected with the companies or contractors they come up with is atrocious.

But, then what I really heard about today was the number of people who are getting sick. Hospitalizations, families being forced to move out of units for significant amount of time as their units are being repaired so that they can be habitable, carbon monoxide, CO2 monitors going off, and people being told, "It's fine, you can move back in," but not being told what was wrong that was causing there to be CO2. A 10-year-old girl, mother just told me this at -- within the last hour, missed 45 days of school last year -- that's one-quarter of the school year -- because of respiratory problems caused by mold in the unit.

And so, I know that you're focused on this, but I just got to say, as the father of a marine, as somebody who is in a State that's heavily military, it was just absolutely depressing, the physical conditions. And we've got to have both housing companies that will improve and a military that will fix. I have been pointing out, nobody enlisted to be a tenant of Lincoln housing. They enlisted to be a marine or an airman or -woman, or a solider or a sailor. And so, it's the military that's got to fix it.
I want to focus on the emergency issue. Secretary Shanahan, my reading of Title 10, Section 2808, is that the President can continue to use unobligated MILCON dollars for the duration of the emergency. So, having declared an emergency, unless Congress rebuts that, as long as the President says they're in an emergency, we basically are put -- tapping the spigot into the MILCON budget for this budget year and future budget years until the emergency is declared over. Is that your understanding of the section?

Mr. Shanahan: Yeah, my understanding is, as long as there's a declaration of emergency, that is an authority that goes along with the declaration.

Senator Kaine: So, I just want to make plain to everybody what we're voting on this afternoon. We're voting on an emergency declaration that, until this President says there's not an emergency, it is a spigot tapped into the MILCON budget that can allow not only 2019 funds, but 2020 funds, 2021, future funds, to be pulled out of the MILCON budget, at the President's discretion -- in my view, counter to the appropriations powers of Congress.

Secretary Shanahan, I wrote you a letter on February 15 asking you for information about MILCON projects -- unobligated MILCON projects that could be affected by the President's emergency declaration. My understanding is, the committee staff has been repeatedly in contact with your
office on the same thing. I was not here, but I understand
that you committed to Senator Reed that you will get him
that list today. Is that correct?

Mr. Shanahan: That is correct.

Senator Kaine: Okay. I got to tell you, I feel
completely sandbagged.

Mr. Shanahan: Yeah.

Senator Kaine: The service secretaries have had that
list. They've had the list. The service secretaries have
been willing to share the list of their unobligated MILCON
projects. So, you're going to send it to us today, after
the vote on the emergency declaration?

Mr. Shanahan: Yeah.

Senator Kaine: Members of the Senate are entitled to
know from where these MILCON monies will be pulled.

Mr. Shanahan: Right.

Senator Kaine: And the fact that you come here today
and say you'll now give it to us, right after the vote this
afternoon? Your service secretaries and chiefs have had
these lists, and, when we've asked them to send them to the
committee, they've said, "We can't, without the permission
of the SECDEF." So, were they only available in the last
half-hour?

Mr. Shanahan: No, the -- well, first of all, Senator,
I think the situation is being misrepresented. There has
not been a deliberate attempt to withhold any information to this committee.

Senator Kaine: Let me state this to you. The staff has been reaching out to the service secretaries and saying, "Send us the list of unobligated MILCON projects."

Mr. Shanahan: Right.

Senator Kaine: They have been told that they cannot do that --

Mr. Shanahan: Yeah.

Senator Kaine: -- it has to come through the OSD.

Mr. Shanahan: Right. Right.

Senator Kaine: And you're now going to produce that list today, after we have a vote at 1:45? This information is highly relevant to the Senators who are voting on this emergency declaration, because the question is, Should a President be able to declare a nonmilitary emergency -- that's the what the military has testified -- and then ransack the Pentagon budget for $6.1 billion? I think we're entitled to know where the money might come from, especially since you've just said this is a multiyear declaration that opens up a spigot into the MILCON budget. I don't think you giving us that list today, after the vote --

Mr. Shanahan: Right.

Senator Kaine: -- when we've been asking for it for a month, is a good-faith response to the requests of this
committee.

Mr. Shanahan: Yeah.

Senator Kaine: Now, tell me if I'm misrepresenting what's going on.

Mr. Shanahan: Throughout this process of the emergency declaration -- and I just have to say, this is not something we do every day -- from the very start, we have worked to be 100-percent transparent with Congress. 100 percent.

Senator Kaine: I agree you don't do an emergency declaration every day, but, every day, you have a list of unobligated MILCON projects, don't you?

Mr. Shanahan: Well, I think the list -- we've always had a list of -- that's how we keep book -- I mean, it's not like we don't have a list of projects.

Senator Kaine: But, why wouldn't you -- why wouldn't you -- why wouldn't your services share those with the committee --

Mr. Shanahan: Right.

Senator Kaine: -- after continuing requests from the committee?

Chairman Inhofe: Senator Kaine, your time is long expired. And I know the passion that you feel right now, but we are adjourned.

Senator King: Chairman, I had a couple of follow up questions.
Chairman Inhofe: Well, I know you did.

Senator King: Are we adjourned?

Chairman Inhofe: You know, I have to say this about Senator King. And I say this in front of all my -- well, they're gone now. Of all the members, Democrat and Republican, you are the one who has been the most responsible, you've been to every single meeting. No one else can say that. And I -- even though it would be a violation of what we're going to do, if you want to have -- I'll withdraw that just long enough for you to do one question. Only because it's you. Got it?

[Laughter.]

Senator King: All right. One comment and one question.

The comment is, I want to complement Mr. Norquist for the work that he's done. I failed to do that before. Doing -- working through the audit process for the Defense Department is a herculean task, and you were -- embarked on it well and truly, and I compliment you on that. I qualify that a little bit by the invention of the phrase today "OCO for base." That's like "rabbit for bicycle." I mean, those two things aren't really consistent.

My followup question, Mr. Secretary. Based upon all this discussion -- and I'm honestly confused. My father used to say, "You -- the Pentagon is the only building in
America you can drive straight toward and it keeps getting further away."

[Laughter.]

Senator King: And I feel a little bit like that today.

Is it your testimony that 2019 military construction projects that were authorized and appropriated for are off the table, or are they only off the table if they're obligated before September 30th?

Mr. Shanahan: Right.

Senator King: Fairly straightforward question.

Mr. Norquist, perhaps you can answer.

Mr. Norquist: Senator, it's the award day. What we are looking at in prioritizing is contracts that award later. So, if you --

Senator King: So, if a -- there's a project in the 2019 bill that hasn't been awarded, it's on the -- it's potentially on the chopping block. Is that correct?

Mr. Norquist: That is correct.

Senator King: Thank you.

Thank you, Mr. Chair.

Chairman Inhofe: Thank you very much.

We are adjourned.

[Whereupon, at 11:51 a.m., the hearing was adjourned.]
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