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**THE IMPACTS OF A CONTINUING
RESOLUTION AND SEQUESTRATION
ON DEFENSE**

COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

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THE IMPACTS OF A CONTINUING RESOLUTION AND SEQUESTRATION ON DEFENSE

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
Washington, DC, Wednesday, October 21, 2013.

The committee met, pursuant to call, at 10:03 a.m., in room 2118, Rayburn House Office Building, Hon. Howard P. "Buck" McKeon (chairman of the committee) presiding.

OPENING STATEMENT OF HON. HOWARD P. "BUCK" MCKEON, A REPRESENTATIVE FROM CALIFORNIA, CHAIRMAN, COM- MITTEE ON ARMED SERVICES

The CHAIRMAN. The committee will come to order.

Good morning.

We meet this morning at the 11th hour. This is, I think, an unprecedented hearing in my time. I never remember where we have had all of you here at one time in a hearing. And I think that shows the importance that the committee places on our subject and the importance that you all place on the subject and the important roles that you play in defending our great Nation.

This committee has undergone 16 months of exhaustive examination of the pending damage from sequestration, and now it appears that this self-inflicted wound is poised to cripple our military forces in just a few days. As the military members of our panel noted in a letter I received on January 14th—and I quote your letter—"We are on the brink of creating a hollow force."

None of us came to this committee, or come to this committee, with clean hands. The debt crisis we face was decades in the making and a result of choosing the easy path when we should have explored the bravery of restraint. The President is not blameless. His negotiators put sequestration on the table during the long fight over the debt ceiling. We are not blameless either. Many of us voted for this terrible mechanism in the naïve hope that the President and the Congress could put our politics aside and fix our debt crisis. That was a bad bet.

Today we need to hear the ground truth from our witnesses. They have dedicated their lives to providing their best and unbiased military advice. We are certainly in need of such advice today. Unburdened from Administration orders to defer planning and assessments, you can now make it clear to this body, the White House, the public, what damage months of inaction on sequestration and the continuing resolution have done to our Armed Forces.

General Odierno, you testified yesterday that you began your military service in a hollow force and that you were determined not to conclude your career the same way. I hope that you and the

panel can expand on that notion today, determining at what level of cuts do Congress and the President turn that fear of a hollow force into reality.

General Dempsey, in April of last year, you testified about the \$487 billion cut from defense. I don't think a lot of people understand how much has been cut from the military in just a very short period of time. You told Congress that to cut further would require an adjustment of strategy. Going through the \$487 billion cuts, you all had a year or so to plan and to come up with a new strategy, a strategy that changed our strategy that we have had of protecting the world since World War II. But I think all of you have stated at least publicly or to me that we cannot even carry out that strategy with the new sequestration cuts.

You concluded, General Dempsey, that this new strategy would—and I quote—“not meet the needs of the Nation in 2020 because the world is not getting any more stable.” We see that every day. Anybody that turns on the TV or reads the newspaper can understand how unsettling this world is. I am interested to know if you continue to stand by that statement.

Today we anticipate detailed answers to our questions. In addition to hearing about levels of risk as sequestration's blind cuts absolve folks from planning, we want to hear if we have crossed a red line and cut too much. If that red line is in the near distance, I expect you to point it out.

Again, I don't think many people understand, other than the fact that we have a debt crisis, a problem, that, so far, the solution has been to take 50 percent of our debt savings out of defense when it only accounts for 17 percent of our overall spending.

Gentlemen, you have no stronger advocate, no stronger ally in this fight than this committee here, the Armed Services Committee. And we urge you to work with us in these final days.

In the coming weeks and months, leaders in both parties and the White House will, I hope, come together to begin discussion of the drivers of our debt and the path to fiscal health. There will be no easy choices on that table. I fear that many may choose to soften the blow of these choices by turning once again to the Department of Defense. Indeed, the formula to achieve what the President characterized as a balanced approach includes tens of billions in additional cuts for this fiscal year. I cannot support any plan, regardless of how it addresses entitlement spending or revenue, unless it also offers meaningful and real relief for the DOD [Department of Defense] from sequester.

With that, I look forward to your testimony here today.

Dr. Carter has had commitments scheduled long before this hearing was established. He is going to have to leave at 12:45. I think the rest of you are committed to 1 o'clock. I would encourage Members to really pay attention and really get your questions answered in this hearing.

And I turn now to our ranking member, Mr. Smith.

[The prepared statement of Mr. McKeon can be found in the Appendix on page 71.]

**STATEMENT OF HON. ADAM SMITH, A REPRESENTATIVE FROM
WASHINGTON, RANKING MEMBER, COMMITTEE ON ARMED
SERVICES**

Mr. SMITH. Thank you, Mr. Chairman.

And I want to start by thanking you not just for this hearing but for, going back a year, really focusing attention on this challenge. We have had a number of hearings on sequestration, on the impact of it, on the challenges that the Department of Defense has faced. And I think you did what you could, basically, to make sure that people were aware of what was coming. And now that we are days away from it, I think it is beginning to sink in. But I certainly believe you have done a good job of shining a bright light on the problem and the challenge.

I also want to thank the gentlemen in front of us for being here today but, more importantly, for their service and for what they have had to go through, really, for 2 years now in not knowing how much money you were going to have or what you could spend it on, having to be incredibly creative, figuring out how to keep programs running.

And certainly sequestration is part of the problem, but the fact that we haven't passed appropriations bills in a couple of years is almost as big a problem. Having to operate under continuing resolution is also very, very difficult for the Department of Defense. Again, you don't know what programs you can fully fund and what programs you can't from one year to the next. It has really put an enormous amount of pressure on our Government, on our Department of Defense.

I should point out, this is not just the Department of Defense. This is the entire discretionary budget. Every element of the Government that is dependent upon discretionary spending—transportation, homeland security, and a variety of different other programs—have gone through this same exercise. And it has had a crippling effect on the ability of our Government to function and has also had a very, very negative effect on our overall economy. And I believe strongly that we need to begin to get back to regular order and fund the discretionary budget, pass appropriations bills, and set a clear number.

Now, the idea behind the Budget Control Act and sequestration started with concern over the debt and deficit. And I will tell you that I share that concern. There are some that argue that the debt and deficit aren't really a problem and get very creative with the numbers to make that argument. I think they are just flat wrong. It clearly is a problem. We can't continue to run a trillion-dollar deficit every year and not have it impact every aspect of our society. We have to get it under control.

But the problem is, if you are going to get the deficit under control, there are sort of three pieces to it. Yes, the discretionary portion of the budget is one piece. It is 38 percent of the budget. But mandatory spending is 58 percent of the budget. It is a much larger piece. And then, of course, the other big piece is revenue and taxes, raising more money. We have systematically over the course of the last 15 years both dramatically increased spending and dramatically cut taxes. It is not surprising that we are where we are.

Now, the problem is and the reason sequestration was set up, it was set up as a forcing mechanism, to basically torture the discretionary portion of the budget, under the belief that we would—we in Congress and the President would not want that torture to continue and would do something about taxes and mandatory spending. But we have not.

I personally think at this point we need to stop torturing the discretionary portion of the budget. I absolutely agree that we need to raise taxes and cut mandatory spending, but holding hostage the discretionary budget to doing that makes no sense whatsoever. It doesn't force it; it doesn't make it any more likely. And it does devastate the discretionary portion of our budget, make it very difficult for the Government to function. And it slams the economy, as we saw in the negative GDP [gross domestic product] growth of the fourth quarter that was driven by sequestration, by the cuts that were put in the discretionary budget.

So I would propose that the discretionary budget has given what it can. It has done what it already can. It has had the cuts that the chairman described that were part of the Budget Control Act. We should just end sequestration, get back to the table talking about mandatory spending and taxes, and get us back on a path to some sort of both fiscal sanity and governing sanity.

The Department of Defense and every other department needs appropriations bills. They don't need a CR [Continuing Resolution], they don't need the threat of not raising the debt ceiling, and they don't need sequestration.

So we will keep working on it. It is an intractable political problem, but it has a very real-world impact on a number of areas, and certainly the Department of Defense and our ability to provide national security is one of the most profound. And I think it will help to have this hearing today to hear more about the impact of that and, very specifically, how you are going to deal with it. Because as bad as the problem is, it is what it is. You all and we have to deal with it as intelligently as possible. So hearing more details on how that process is playing out will be helpful.

And, again, I thank the chairman for the hearing. I look forward to the testimony and the questions of the Members.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Smith can be found in the Appendix on page 73.]

The CHAIRMAN. Thank you very much.

I now recognize our prestigious panel of civilian and military leaders for their opening statements.

Secretary Carter, we will begin with you.

In the interest of time and the number of witnesses that we have today and the number of questions that we have from the panel, I would remind you that your complete statements will be submitted for the record.

And we will proceed with Secretary Carter.

**STATEMENT OF HON. ASHTON B. CARTER, DEPUTY
SECRETARY OF DEFENSE**

Secretary CARTER. Thank you, Mr. Chairman, Ranking Member Smith. I will be brief because I know you want to get to the specific impacts of this.

First, let me just begin by thanking you, the two of you but each and every one of you, for giving us this opportunity to explain the consequences of sequester and CR.

You know, Mr. Chairman, I would certainly use the red line. That makes perfect sense to me. And Mr. Smith is right, it is not just sequester, it is the CR also, which in a different way is affecting us very adversely. And it is the fact of but also, as Mr. Smith pointed out, the uncertainty engendered by all this that we have been living with for quite some time. There is a real cost to having that uncertainty.

So thank you for giving us the opportunity to be here. You know, you all know us, and you care about national defense. That is shown by your membership on this committee. And we are hoping, I am certainly hoping, that by giving you the picture of the impacts of CR and sequestration on national defense, you can, in turn, turn to your colleagues and, by getting them to see this and understand it more, work our way towards what we all need, which is a comprehensive solution to this.

Secretary Panetta and I have been using the word "devastating" for 16 months, Mr. Chairman. And you and others on this committee have been speaking about it for 16 months. Last August, you gave me the opportunity to testify before you, and I said much of what we will be saying today. That was then, and now the wolf is at the door.

The first problem, sequestration, which causes us—will cause us to have to subtract, starting in 2 weeks, \$46 billion from the amount of money that we had planned to spend between now and the end of the year.

The continuing resolution is a different problem. There is enough money in the continuing resolution. It is in the wrong accounts. In particular, there isn't enough in the operations and maintenance accounts. And as my colleagues will explain, although we will protect funding for Afghanistan, we will protect urgent operational needs, we will protect the wounded warrior programs, the President has exempted military personnel expenses from sequestration—with all of that, still and all, by the end of the year, there will be a readiness crisis this year, in just a few months' time.

And that is the near term. In the far term, if the cuts continue over the next 10 years, as suggested in the Budget Control Act, if there isn't a comprehensive solution to the budget picture in the long run, we aren't going to be able to carry out the national security strategy that we so carefully devised with the President just 1 year ago.

So in the near term, a readiness crisis; in the far term, an inability to execute our strategy. That is very serious.

And I just want to say that, you know, I understand, I have long understood, that we need to address the Nation's fiscal situation. And that is why we have already cut \$487 billion from our budget plans over the next 10 years. And that was on top of the several

hundred billion dollars that Secretary Gates removed from the defense budget, importantly by eliminating some unneeded and underperforming programs. And on top of all that, we are making an historic adjustment to the end of the wars in Iraq and Afghanistan. So we are doing a lot, we have done a lot.

I also understand that the taxpayer deserves a careful use of the defense dollar. And that is—and every dollar we are given. And that is why we strive so hard to get better buying power for every dollar that we get, why we try to do acquisition reform and so forth. But both a strategic approach to reducing our budget and good use of the taxpayer money, both of those are endangered by this chaos and the abruptness and size of these cuts.

What is particularly tragic to me is that sequestration is not the result of an economic recession or emergency. It is not because discretionary spending cuts are the answer to our fiscal challenge. Do the math. It is not in reaction to a more peaceful world. It is not due to a breakthrough in military technology or to a new strategic insight. It is not because paths of entitlement growth and spending have been explored and exhausted. It is not because sequestration was ever a plan intended to be implemented. All this is purely the collateral damage of political gridlock.

And for our troops, for the force, the consequences are very real and very personal. As the CNO [Chief of Naval Operations] can describe in greater detail, we just had to cancel the deployment of an aircraft carrier. The reason for that was to make sure that we would be able to field an aircraft carrier a year from now. But we did that at the very last minute, and so families that were all ready for that deployment suddenly had to change their plans—the plans they had for child care, the plans they had for where they were going to live, what their families were going to do after they said goodbye to a loved one so abruptly.

I go around to our bases around the country, and I see troops, let's say Army troops, that have come back from Afghanistan. They want to maintain the same level of training and proficiency that they have become used to. And yet we are not going to have the funding to keep their training at that level. But the mission is what motivated—motivates them. That is what their profession is about; that is what we want to have motivate them. And as you will see, we will not have the funding to continue that level of training.

So it has a big effect on the uniformed force. For our civilians, also a big effect. You know, our civilians are much maligned. A lot of people think that DOD civilians are people who wake up somewhere here in the suburbs, get on 395, and come in here and work in an office building in Washington. Not true. Most of our civilians repair airplanes, they repair ships. Eighty-six percent of them don't even live in the Washington area. And 44 percent of them are veterans.

Yet, still and all, starting very soon, we will, as a result of sequester, have to furlough the great majority—or at least the great majority of our civilians will be subject to furlough for the maximum statutory length of time, namely 22 days, between the beginning of April and the end of the year.

So there is a real human impact here. I have said I am not a—under the law, I am a Presidentially appointed civilian and I can't be furloughed, but I am going to give back a fifth of my salary at the end of the year because we are asking all those people who are furloughed to give back a fifth of their salary.

Finally, this has a big effect on the—in addition to the uniformed civilian employees of the Department, on the industry upon which we depend. The quality of the weapons produced by our defense industry is second only to the quality of our people in uniform in making our military the greatest in the world. As such, a technologically vibrant and financially successful defense industry is in the national interest. The act of sequestration and longer-term budget cuts and even the prolongation of uncertainty will limit capital market confidence in our industry, and companies may be less willing to make internal investments in their defense portfolio.

And the impact will be even greater on our subcontractors. Remember that between 60 and 70 cents of every dollar we contract is subcontracted to the tier below the prime contractors. Many of these smaller companies don't have the capital structure that will allow them to withstand this uncertainty and turmoil. And yet many of them are small businesses; they are a source of innovation and new people for our industry. So it is very serious.

And, finally, sequester will cause a spike in program inefficiency because we stretch out programs and we drive up costs—all the things you don't like. So for the force, military and civilian, for the industry, consequences are very direct.

I would just like to close with an appeal to you to appeal to your colleagues. We need to deal with this situation broadly, quickly, and comprehensively, and in a balanced way that you can support, that the President can support. We need to detriger sequestration. We need to pass appropriations bills for all the Federal agencies, for that matter.

The cloud of uncertainty hanging over our Nation's defense affairs is already having a lasting effect. Ultimately, the cloud of sequestration needs to be dispelled and not just moved to the horizon. The magnificent men and women of the Department of Defense and their families deserve no less. They need to know with certainty that we will meet our commitments. Our partners in the defense industry and their employees need to know that we are going to have the same resources to procure the world-class capabilities they provide and that we can do so efficiently.

And perhaps most important, the world is watching. Our friends and allies are watching, potential foes all over the world. And they need to know that we have the political will to implement the defense strategy we need.

Thank you.

[The prepared statement of Secretary Carter can be found in the Appendix on page 74.]

The CHAIRMAN. Thank you, Mr. Secretary.

We in this room all know who we are going to hear from now, but let me—there are, I am sure, going to be people watching this who are not in this room. Let me just let them know that next we will hear from General Dempsey, who is Chairman of the Joint Chiefs of Staff, who is the top military adviser to the Commander

in Chief, the President of the United States. Then we will hear from General Odierno, Admiral Greenert, General Welsh, General Amos, General Grass. Each are the top military leader of their respective branches.

So what they are saying—they have put years into dedication to this Nation, protecting this Nation, fighting for this Nation, and peace around the world. Listen carefully to what they have to say.

General Dempsey.

**STATEMENT OF GEN MARTIN E. DEMPSEY, USA, CHAIRMAN,
JOINT CHIEFS OF STAFF**

General DEMPSEY. Thank you, Chairman, Ranking Member Smith, distinguished members of the committee. I would like to echo Dr. Carter's expression of appreciation for you to have this hearing.

To your point, Chairman, do I stand by my statement of last year? No. I am now jumping up and down; this is not about standing next to anything. We are on the verge of a readiness crisis due to an unprecedented convergence of factors.

And, by the way, if there is anybody in this room or anybody in this building that thinks we can fix this by ourselves, they are incorrect. We are facing the prolonged specter of sequestration while under a continuing resolution while we are just beginning to absorb \$487 billion worth of cuts from 2011 and while we are still fighting and resourcing a war. That is unprecedented.

Secondly, these are not the only factors that make this draw-down more difficult and decidedly different from any other point in our history. There is no foreseeable peace dividend. The security environment is more dangerous and more uncertain. Much of our equipment is older or aging fast. End-strength caps limit our ability to shape the force, and healthcare costs are reaching unsustainable levels.

In this context, sequestration will upend our defense strategy. It will put the Nation at greater risk of coercion, and it will require us to break commitments to our men and women in uniform and their families, to our defense industrial base, and to our partners and allies.

We have and we will continue to be part of the Nation's economic recovery. We are committed to remaining responsible stewards of the taxpayers' dollars as we work to build an affordable and unrivaled force in 2020. But to do this, we need budget certainty. That is, we need the antithesis of sequestration. We need a steady, predictable funding stream. And we also need the time to implement reductions in a responsible manner over a manageable timeline. Finally, we need the flexibility to transfer and reprogram money to our highest priorities. Readiness loses when major portions of the budget are deemed untouchable. Everything needs to be on the table.

We should resist kicking this further down the road. Failing to act is a choice of itself, one that will eventually require a progressive contraction of security commitments around the world and a less proactive approach to protecting our interests.

When I testified before this committee last year, I said that if we fail to step off properly on the budget, we will reduce our options

and therefore increase our risk. Our military power will be less credible because it will be less sustainable. Now we are only a few days away from making that risk a reality.

Thank you.

[The prepared statement of General Dempsey can be found in the Appendix on page 89.]

The CHAIRMAN. Thank you, General.

General Odierno.

STATEMENT OF GEN RAYMOND T. ODIERNO, USA, CHIEF OF STAFF, U.S. ARMY

General ODIERNO. Thank you, Chairman McKeon. Thank you, Ranking Member Smith and other distinguished Members.

Nearly 18 months ago, I was charged with the responsibility of leading the Army and providing you my best military advice. Over the course of my 36-year career, I have commanded every level, including most recently division command, corps command, and theater command in combat. I know what it takes to prepare this Nation's sons and daughters for war. I know what it takes to grow leaders in our Army. I know what is required to send soldiers into combat, and I have seen firsthand the consequences when they are sent unprepared.

All of us have experienced the Army post-Vietnam. It was one that was underresourced, one that was undertrained, one that lacked appropriate equipment, was not ready, and lacked discipline. We cannot allow careless budget cuts to bring us there again.

And as you said, Mr. Chairman, as I said yesterday, I want to repeat it again: I began my career in a hollow Army; I am determined not to end my career in a hollow Army. We owe that to the young men and women who are willing to raise their right hand and defend this country.

Every day, I am reminded of the uncertainty and danger of our global environment. It is the most unpredictable and dynamic security landscape I have faced and experienced in my career. I remind everyone that today the Army has 58,000 soldiers in Afghanistan, 23,000 soldiers deployed at other places around the world. They will be impacted by these cuts. They will be impacted by these cuts.

The other thing I know is we simply don't know when we will be asked to deploy soldiers to fight again, but history is clear: We will be asked to deploy our men and women again when the security of this Nation is at risk. We owe it to them and to the American people that they be ready when we ask them to do that. That is our charge, together.

The fiscal outlook which U.S. Army faces in this fiscal year is dire and, to my knowledge, unprecedented. In addition to the \$170 billion in cuts to the Army levied by the Budget Control Act of 2011, the combination of the continuing resolution, a shortfall in overseas contingency operations funds for Afghanistan, and a sequester in fiscal year 2013 has resulted in somewhere between a \$17 billion and \$18 billion shortfall to the Army's operation and maintenance accounts, as well as an additional \$6 billion cut to other programs. All of this will come in the last 7 months of this year.

So, therefore, it has grave consequences and immediate readiness impacts on our forces, especially those not serving in Afghanistan or forward in Korea. Because we will ensure they have all the money that they need, but what that means is we will curtail the funding for the next forces in, for the next forces after that in.

We will curtail training for 80 percent of our ground forces. This will impact our units' basic warfighting skills, induce shortfalls across critical specialties, including aviation, intelligence, engineering, and even our ability to recruit new soldiers into the Army.

We have directed an immediate Army-wide hiring freeze, and we will terminate an estimated 3,100 temporary and term employees. We will cut 37,000 flying hours from our aviation training, which will create a shortfall of over 500 pilots by the end of fiscal year 2013. We will create a backlog at flight school that will take over 2 years to reduce.

We will reduce our base sustainment funds by 70 percent. This means even minimum maintenance cannot be sustained, which will place the Army on a slippery slope where our buildings will fail faster than we can fix them. There will be over 500,000 work orders that we will not be able to execute.

We will furlough up to 251,000 civilians for up to 22 days. We will cancel third- and fourth-quarter depot maintenance, which will result in a termination of an estimated 5,000 employees and a significant delay in equipment readiness for 6 divisions and an estimated \$3.36 billion impact to the communities surrounding our depots.

For fiscal year 2014 and beyond, sequestration will result in the loss of at least an additional 100,000 personnel: soldiers from the Active Army, the Army National Guard, and the U.S. Army Reserve. Combined with previous cuts that have already been approved, this will result in a total reduction of at least 189,000 personnel from the force, but it will probably be higher than that.

These reductions will impact every Army base and installation that we have. Sequestration will result in delays to every one of our 10 major modernization programs. It will create an inability to reset our equipment after 12 years of war and unacceptable reductions in unit and individual training. These cuts will be felt across the entire country.

Since 2008, the total Army budget will have been reduced over 40 percent. If sequestration is enacted, it will be greater than 50 percent. That is a number greater than any war that we have been involved since World War II.

In my opinion, sequestration is not in the best interest of our national security. It will place an unreasonable burden on the shoulders of our soldiers and civilians. We will not be able to execute the Department of Defense strategic guidance as we developed last year.

I understand the seriousness of our country's fiscal situation. We have and will continue to do our part. But the significance of these budget reductions will directly impact our ability to sustain readiness today and into the future. We simply cannot take the readiness of our force for granted. If we do not have the resources to train and equip the force, our soldiers, our young men and women, are the ones who will pay the price, potentially with their lives.

It is our responsibility, the Department of Defense and Congress, to ensure that we never send soldiers into harm's way that are not trained, equipped, well led, and ready for any contingency, to include war. We must come up with a better solution.

Thank you so much for allowing me to testify here today. I look forward to answering your questions.

[The prepared statement of General Odierno can be found in the Appendix on page 94.]

The CHAIRMAN. Thank you, General.
Admiral.

**STATEMENT OF ADM JONATHAN W. GREENERT, USN, CHIEF
OF NAVAL OPERATIONS, U.S. NAVY**

Admiral GREENERT. Good morning, Chair McKeon, Ranking Member Smith, members of the—distinguished members of the committee, and thank you for the opportunity to testify today.

And when I last appeared before you, I declared that there are two important qualities of our naval forces, and they are: One, that we will operate forward where it matters at the maritime crossroads of the world, and that they will be ready when it matters. This remains our mandate. Your Navy and Marine Corps are uniquely qualified to respond immediately to crises, to assure allies, to build partnerships, to deter aggression, and to contain conflict.

But these qualities and their value are at great risk by the fiscal uncertainty that we now face. Although our primary concern with sequestration and the lack of an appropriations bill is the impact they have on the readiness during this fiscal year, make no mistake: It is going to have an irreversible and debilitating impact on Navy's readiness through the rest of the decade. We will not be able to respond in the way the Nation has expected and depended. And we should make that kind of decision consciously and deliberately.

Three symbolic but not really all-inclusive examples of the impact of the delays are the delays of the deployment of the *Harry Truman* [aircraft carrier USS *Harry S. Truman*], the delay in the overhaul of the *Abraham Lincoln* [aircraft carrier USS *Abraham Lincoln*], and the delay in the initial construction of the *John F. Kennedy* [aircraft carrier USS *John F. Kennedy*].

These were not inconsequential decisions or the only decisions that we will have to make and that we are going to make over the coming weeks. They did not come without significant consequences to our people, to the defense industry, or to local economies. The impacts of funding that we realign today will cascade into the future years.

The \$8.6 billion shortfall confronting us in operations and maintenance has compelled us to cancel ship and aircraft maintenance, reduce operations, curtail training for forces soon to deploy, and plan for the furlough of thousands of civilians. These actions enable current missions of forces forward-deployed but, subject to congressional action, will have inadequate surge capacity at the appropriate readiness to be there when it matters, where it matters.

We ask that the Congress act quickly to replace sequestration with a coherent approach to deficit reduction that addresses our

national security interests. We need an appropriations bill for this fiscal year that will allow the Department to allocate resources in a deliberate manner.

Without these actions, the condition and expected service life of our ships and aircraft will further degrade, our sailors will not be proficient and they won't be confident to do the job, and we will be forced to cancel or slow procurement of relevant platforms and systems needed to preserve our warfighting superiority, platforms such as the Joint Strike Fighter [F-35 Lightning II], the P-8 [Poseidon] Maritime Patrol Aircraft, the Littoral Combat Ship. All those and even more will be in jeopardy.

Mr. Chairman, I know you are dedicated to the men and women of our military and to their families. But our folks are stressed by the uncertainty about their jobs, their operational schedules, and, more importantly, their future. I appreciate the opportunity to testify on their behalf, and I thank you in advance for your efforts in this and that of this body in trying to avert the very real readiness crisis that we face today.

Thank you.

[The prepared statement of Admiral Greenert can be found in the Appendix on page 104.]

The CHAIRMAN. Thank you, Admiral.
General Welsh.

**STATEMENT OF GEN MARK A. WELSH III, USAF, CHIEF OF
STAFF, U.S. AIR FORCE**

General WELSH. Thank you, Mr. Chairman, Ranking Member Smith, and members of the committee. It is always an honor to appear before you, and appearing with this group is especially a pleasure and a privilege for me.

In line with what you have already heard, sequestration threatens to carve crucial capability from our Air Force, as well, with alarming and immediate effects on people, readiness, infrastructure, and eventually on modernization.

Sequestration represents a potential \$12.4 billion top-line budget reduction for fiscal year 2013 for the Air Force. It affects every account and every program. If it occurs, it will significantly undermine your Air Force's readiness and responsiveness today, it will significantly impact the Air Force civilian workforce in the coming months, and its impact on modernization would clearly affect the Air Force in the future.

You have heard a lot of examples, and the Air Force is dealing with the same types of things. I will highlight just three.

The 22-day furlough that the Deputy Secretary of Defense described will affect up to 180,000 civilian airmen, depriving our Air Force of over 31.5 million hours of productivity and specialized expertise just through the remainder of this fiscal year. It will result in a loss of over 200,000 flying hours. And what that means to us is that while we will protect flying operations in Afghanistan and other contingency areas, nuclear deterrence, and initial flight training, roughly two-thirds of our Active Duty combat Air Force units will curtail home station training beginning in March and will drop below acceptable readiness levels by mid-May, and most, if not all, will be completely non-mission-capable by July.

It will cut 30 percent of our remaining weapons systems sustainment funds, which means we will need to postpone about 150 aircraft and 85 engines from depot induction, which creates a backlog that will keep giving for years.

The Air Force's global vigilance, reach, and power are what make it one of America's premier asymmetric advantages and a critical member of this joint warfighting team. But strategic agility and responsiveness require a high state of readiness. Sacrificing that readiness jeopardizes the strategic advantages of airpower. Sequestration will have an almost immediate effect on our ability to respond to multiple concurrent operations around the globe, something that we have been asked to do along with our sister Services many times in the past.

Longer term, sequestration cuts to Air Force modernization will impact every one of our investment programs. These program disruptions will, over time, cost more taxpayer dollars to rectify contract breaches, time-delay inefficiencies, they will raise unit costs, and they will delay delivery of validated capabilities to warfighters in the field.

The Air Force is long overdue for reconstitution following more than 2 decades of war. Our inventory still includes aircraft that are as old as I am, which is getting to be a scary thought. And our force is as small as we have ever been since we became a separate Service. And now we find ourselves stuck in the unenviable trade space between readiness and modernization, and we need your help to get out.

Mr. Chairman, Ranking Member Smith, and the committee, thank you for what you have been doing to address this problem. Anything we can do to help you pass an appropriations bill and to eliminate sequestration is our goal.

Thank you for the chance to be here.

[The prepared statement of General Welsh can be found in the Appendix on page 115.]

The CHAIRMAN. Thank you, General.

General Amos.

STATEMENT OF GEN JAMES F. AMOS, USMC, COMMANDANT OF THE MARINE CORPS, U.S. MARINE CORPS

General AMOS. Chairman McKeon, Ranking Member Smith, members of the committee, forgive me for reading my remarks here, but it is a strategic message and there is much inside of it, and I didn't want to miss a single point of it. So if you would forgive me for doing that.

I am struck as I sit here looking at my colleagues, all six of us, there are almost 240 years of military experience and service to our Nation. We have seen a lot. Every one of us are combat veterans. So what we have to say is from our hearts. It is honest, Chairman. You will get the truth from all of us today.

Speaking today principally as a member of the Joint Chiefs of Staff, this body in front of you today, sequestration, by its magnitude, its timing, and its methodology, will have a devastating impact on our Nation's readiness, both short-term and in the long term.

Combined with the effects of the existing continuing resolution, sequestration creates unacceptable risk in four main areas: First, risk to our national strategy; then risk to our forces; then risk to our people; and, lastly, risk to the United States of America.

Regarding strategy, maintaining a sound international economic system and a just international order are the very foundation of our Nation's strategic guidance. The effects of disruption to this global order could be seen in volatile energy prices, fluctuating global markets, sovereign behavior, and economic decline.

Failing to provide leadership in the collective security of this global order will have significant economic consequences for the American people. Worse, a fiscally driven lapse in American leadership and forward engagement will create a void in which old threats will be left unaddressed and new security challenges will find room to grow.

There should be no misunderstanding: The combined effects of continuing resolution and sequestration will have a deleterious effect on the stability of global order, the perceptions of our enemies, and the confidence of our allies. Sequestration, viewed solely as a budget issue, would be a grave mistake, bordering irresponsibility.

Our collective actions in the next few months would be scrutinized—will be scrutinized on a global stage, for even the perception of a disruption of our Nation's willingness to protect its global interests could and will have strategic consequences.

Regarding risk to our forces, the linkage between resources and readiness is immediate and visible. The scale and an abrupt implementation of sequestration will have devastating impacts on readiness. Sequestration will leave ships in port, aircraft grounded for want of necessary maintenance and flying hours, modernization programs cancelled, and units only partially trained and reset after 12 long years of combat.

Because of our special role as America's crisis response force, Marines place a high premium on readiness. I have done everything within my authorities to date to preserve a ready Marine Corps. I will continue to do so.

Under continuing resolution, I have kept deploying units ready, but only by stripping away the foundations of the long-term readiness of the total force. While these short-term adaptations are possible, the enduring effects of these decisions puts the future health and readiness of my force at risk. By the end of this year, more than 50 percent of my tactical units will be below minimum acceptable levels for readiness for deployment to combat theaters.

In a very real sense, we are eating our seed corn to feed current demands, leaving less to plant for the long-term capabilities of the force. This pattern inevitably leads to a hollow force, and its impacts are already being felt under the continuing resolution.

The most troubling and immediate risks are those that sequestration imposes on our people. Sequestration does not hurt things; it hurts our people. The qualitative edge that the American service member takes to the battlefield is the fundamental advantage that differentiates our forces from our enemies. This qualitative combat edge will be severely eroded by the impacts of sequestration, leaving America's men and women with inadequate training, degraded equipment, and reduced survivability.

While military pay and allowances have been exempted in this round of sequester, the quality of life for the All-Volunteer Force and their families will suffer as we reduce family programs and installation maintenance.

Our civilian marines will likewise be impacted. Ninety-five percent of our civilian workforce is employed outside the Washington, D.C., national capital area. They are the guards at our gates, our financial experts who manage our budgets, our acquisition specialists, the therapists who treat our wounded, and the teachers who teach our children. The economic impact to these families and the local communities are put at risk by short-term furlough or long-term termination.

Protecting our ability to keep faith with our families and our wounded warriors is a top priority in my Marine Corps. But even this, the most sacred of responsibilities, will be increasingly put at risk under sequestration.

In closing, allow me to articulate one more set of risks: the risk to our Nation. In the final analysis, sequestration potentially asks the most from those who have borne the greatest sacrifice. The effects of sequestration over the next 10 years will threaten the foundations of our All-Volunteer Force, putting the Nation's security on a vector that is potentially ruinous. It will dramatically shape perceptions of our Government as both an employer and as a customer, thereby reducing confidence throughout our Nation's institutions.

These are strategic matters that demand our immediate attention and action. I urge the committee to consider the full range of risks created by this legislation and ask for your assistance in mitigating them to the extent possible.

Thank you, Chairman, Ranking Member Smith. I look forward to your questions at the right time.

[The prepared statement of General Amos can be found in the Appendix on page 126.]

The CHAIRMAN. Thank you, General.
General Grass.

STATEMENT OF GEN FRANK J. GRASS, USARNG, CHIEF, NATIONAL GUARD BUREAU

General GRASS. Chairman McKeon, Ranking Member Smith, members of the committee, thank you for the opportunity to be here today.

Over the past 11 years, sustained investment and engagement in overseas and domestic operations has transformed the National Guard from a strategic reserve into an operational force that provides dual-mission capability to our Nation and our communities. The readiness of this operational force is clearly at risk, and the total force is on the verge of a readiness crisis.

The National Guard rapidly expands the capacity of the Army and the Air Force. The National Guard does the same for civilian authorities by providing organized, disciplined, properly equipped military units on short notice. The Guard can do this because of the institutional procurement, training, education, and depot-level maintenance programs the Army and Air Force provide.

The reduction in these critical areas would have an immediate impact on National Guard readiness. In a matter of months, our readiness as an operational force for the Nation's defense and as an immediate homeland response capability will be eroded. With the inability to transfer funds between programs, sequestration and the possibility of a year-long continuing resolution will further degrade our overall readiness.

I have provided all 54 Adjutants General with a summary of near-term measures to assist them in mitigating risks and threats to our readiness. I have asked them to examine overhead, curtail conferences, not renewing temporary civilian positions, and implementing hiring freezes. And that is just the start.

We are planning to defer sustainment and maintenance requirements for aircraft facilities to conserve operations and maintenance funds and to use those conserved funds only for mission-essential, mission-critical functions. Sustainment, restoration, and modernization cuts will degrade our already aging armory infrastructure. The continuing resolution prohibits any new starts in military construction, further threatening our armory and facility modernization master plans.

The capability of our facilities to support guardsmen across the States in more than 3,000 communities directly impacts our ability to reach and support areas of our country suffering from disasters.

If we face a full sequestration scenario, the National Guard may have to furlough soldiers and airmen serving as military technicians, as well as other Government civilians. This means more than half of the National Guard's full-time members may be furloughed, resulting in maintenance backlogs in every State. These actions will reduce National Guard readiness and the forces available to the Governors to respond to natural and manmade disasters.

Preparation and training of nearly 13,000 soldiers and airmen assigned to the units given the mission to mitigate the effects of chemical, biological, and nuclear terrorist attacks or industrial accidents in the homeland will suffer as exercises and training events are delayed or cancelled by reductions in operations and maintenance funds.

In summary, the potential impact described today will have a measurable and dramatic negative effect on critical National Guard capabilities, both for at home and abroad.

I thank you for the opportunity to appear before you today, and I look forward to your questions.

[The prepared statement of General Grass can be found in the Appendix on page 134.]

The CHAIRMAN. Thank you, General.

You know, when I went to the Steering Committee to apply for this job as chairman of this committee, I told them I thought that the responsibility of the chairman was to ensure that every one of our people that we send into harm's way would have the training, the leadership, the equipment, the time, everything they needed to carry out their missions in protecting this Nation and our allies at peace around the world and return home safely.

One of the things that I think disturbs me most about all of this discussion that we have been having now for the last, actually, cou-

ple of years: Doesn't even address the real problem that we face. Yes, debt is a problem, but where does it come from?

I have a little chart here that I have been using the last week that shows what our spending has been over the last 50 years, major percentage-wise over all of the Government area.

The top, the purple, is what we spend each year for interest on the money that we borrow. The red is mandatory spending, those items that we don't get to vote on each year. They have been decided in the past, and they are on autopilot, and they are just moving forward. Social Security, Medicare—many of those items that fit into this category. The green is the nondefense discretionary spending that we spend here out of Washington: education, roads, transportation, FBI [Federal Bureau of Investigation], border security, all of those. And the blue at the bottom is defense.

Now, we can see how defense spending has gone down. We can see that discretionary nondefense has kind of remained a constant. We can see that mandatory spending has way more than doubled in that time period. We know that those numbers on that progression, the ones that are going down are continuing to go down; the mandatory is continuing to grow.

That is the real driver of all of this that we are talking about. If we eliminated all of defense, if we eliminated all of the discretionary spending, we would still be running a deficit each year of a half-trillion dollars just for the autopilot mandatory programs. So those need to be addressed. We need to put people back to work; we need to grow the economy. That needs to be addressed.

But, so far, we have focused heavily on cutting discretionary spending, with at least half of that coming out of defense, which only accounts for, like, 17 percent of our overall spending. The President has talked about a balanced approach. This has been very unbalanced.

None of you in uniform have ever made the decision to go to war. That is always done by civilians. Yet, once that decision is made, the responsibility to carry it out falls on you. And you do a tremendous job.

One of the things that I am most stressed about is what the impact that this is going to be on our readiness. Now, the way I interpret that is the soldiers, sailors, flyers, marines, Guard, all of them that are going to be deployed over the next—you know, we know the troops are going to come home from Afghanistan. I wish we could say that will be the last war we ever have to fight, but look at our history. Look at what we did after World War II. Look what we did after Korea, after Vietnam. We have cut, cut, cut so that we won't be prepared for the next one.

If we could have testimony from all of those who are not able to testify anymore, who lost their lives because of a lack of readiness, a lack of training, a lack of proper leadership, which is the direction we are heading in—I think, General Odierno, you told me earlier before we came in here that the American people have always trusted you and even trusted us, even though our Congress, I think we were given about an 11-percent approval rating. You probably have the highest approval rating from the American public of anyone. But they have expected us and they have taken for granted the fact that we will always be able to be there to respond when

we are attacked. And we get attacked when we show weakness. And as we cut our readiness, that around the world shows weakness, and it opens us up and makes us vulnerable. And then that causes more lives to be lost.

I am concerned about the troops that are going to be deployed next year to Afghanistan, and are they getting the proper total training that they need now. I hear stories that they are not already, before sequestration fully kicks in.

I would like, if you could, in place of those who are not able to testify, who have lost their lives—the first ones going across Africa when they didn't have that training and leadership and equipment, those who were in Korea when we were almost pushed into the ocean that lost their lives, that were not able to have that training—will you please, General Odierno, Admiral, General Welsh, General Amos, General Grass, will you tell us some specifics that you already see happening or you know will happen as they don't get enough ammo to practice firing their weapons enough, as they don't get enough flying hours, as we have to bring ships into port, how are we going to be hit, so that the American people can really understand?

They think we are cutting waste, fraud, and abuse. That is a term we throw out. We are way past that. If they understood what we are really talking about, I think there would be a rising up of people in this Nation to say, "Do not try to fix this problem on the backs of our military."

General Odierno.

General ODIERNO. Thank you, Chairman. The impacts are significant across every area. Over time, you know, first what we do is we degrade the capabilities of our individual soldiers. We degrade it because their equipment begins to fail, it is not maintained at the right level, their training is reduced, so their proficiency, although still good, is not at the level we would like it to be, but most importantly it is as you grow up in terms of the type of unit you train in. For example, we like to be trained at battalion level proficiency, so they understand how to coordinate activities at the battalion level.

Because of these training reductions, right now we believe we are down to about squad level capability for fiscal year 2013, for example. So that means you only going to train up to a squad, you won't do the coordination, you won't do the live fires, you won't do the kind of capability you need to synchronize and organize yourselves, so when you get somewhere and have to deploy somewhere, your ability to coordinate and execute has not trained, and that puts lives at significant risk.

Secondly, flying, let me talk about flying. You know, for example in Afghanistan, it is probably one of the most difficult places we have ever had to fly rotary wing aviation because of the environment, because of the altitude, because of the weather conditions, and if we have to reduce the amount of training we give our pilots, they will go in there with a hell of a lot less capability. And what does that mean? That means there will be mistakes made. And what does that mean? That means we will have accidents or that means we will be more likely to be shot down by enemy fire, and ultimately that results not only in the death of our pilots, but those

who are riding with them, and then of course it will then hinder us in conducting the operations the way we see fit in conducting operations, so then across a broader range, you now lose your capability to conduct the type of operations that are necessary in order for us to be successful.

It is about how well are we able to train our support forces, our logistics capability that has to go throughout any area of operation and deliver logistics. And as we have to prioritize because we don't have enough money, do they get the right training so they are prepared to run convoys over long distances, that they are coordinated and prepared to protect themselves? All of those things now come at risk, and ultimately those all result in the loss of life and the loss of capability that we have. And that is what we are concerned about.

And over the long term it will degrade. It will be worse a year from now than it is today. It will be worse 2 years from now than it is a year from now, and it will slowly degrade over time and then you start to lose the expertise on how to train and what the right standards are, and it continues to build on itself as you go forward and it really becomes risky, and then you find yourself in a hollow force, one that is not capable of doing the missions that we are going to ask them to do.

Our soldiers, our airmen, our marines, they do the most complex missions of any military in the world, and we have to train them so they are able to do those complex missions. That is why they are so much better than any other military, because we ask them to do missions that are much more complex and difficult.

The CHAIRMAN. Admiral.

Admiral GREENERT. Chairman, let me take you to early 2014, to calendar year 2014. As a result of what we are not going to do, training and preparing people here in the near future so that we can be out there where it matters, like I said before, right now here is the situation in 2014. We have no ships in the Southern Command, so the hundreds of tons of drugs that are being intercepted, there is nobody there to do that, and we are not nurturing future relationships there and keeping stability down there.

You have one carrier strike group, an air wing in the Central Command 2014 instead of the two, which is the demand signal. So you don't—that central commander does not have the option to be able to support strikes as appropriate in Afghanistan while being in the Arabian Gulf to maintain stability and deterrence there, and again nurture relationships and keep the peace, if you will, in and around that area.

There are no ships, no amphibious ships or cruisers and destroyers to support counterterrorism operations, support our embassies over there for quick reaction, because we don't have an amphibious ready group over there in and around the African Command, so that is the support option around Somalia, around Yemen, the Red Sea, Sudan, all of that, there is no one there. We would have to kind of surge forward to there. So we are not there when it matters and we are not ready when it matters in that regard.

In the ballistic missile defense, we would start stepping down and we would have no ballistic missile defense deployments in 2014. Well, we have commitments to meet, so we would have to fig-

ure that out. We have commitments to Israel, we have commitments in the Central Command to provide ballistic missile defense.

These are the things that we won't be able to support on the current situation as you look at 2014.

The CHAIRMAN. Thank you. General.

General WELSH. Chairman, to be clear on this from an Air Force perspective, readiness levels aren't just a problem in the future, they have been a problem since about 2003, when operations tempo and things began to build up on the force, and our readiness levels have been declining ever since. Right now almost half, just under 50 percent of our Air Force units, the squadrons, which are our fighting level units, are below what I would consider an acceptable combat readiness level. The operational tempo of deployments, equipment degradation over time, failure to modernize have created this problem now, which we have been managing with a level of risk that we thought was acceptable, but we were getting close to what I think Ray Odierno would describe to you as the razor edge that he feels the Army is now on.

We set aside full-spectrum training a few years ago to focus on the fight that we are currently engaged in. We kept a small piece of our Air Force supremely ready in areas like the nuclear mission, et cetera, because we knew we had to do that, but the rest of our combat air forces did not maintain that readiness level, and so our ability today to go fight a determined enemy in a contested environment with degraded communications, degraded navigation, degraded weapons systems capability is not where it should be, and we are fully aware of that.

Our Secretary this year for the 2013 budget and then forward into 2014 declared it a readiness POM [Program Objectives Memorandum] to try and get back to that kind of training, improve our simulation capabilities. Our range airspace is not fully funded to even have this kind of training, because we haven't been doing it for the last 2 years. So we are trying to recover to that.

The problem as I see it is as we try to get back to that, Mr. Chairman, when the next major conflict starts, we will send our joint force to fight regardless of how ready they are, and they will go and they will fight, and they will die in greater numbers than they have to, the conflict will last longer than it should, civilian casualties will be more than we would like to accept. We owe them better than that.

The CHAIRMAN. Thank you. General Amos.

General AMOS. Chairman, I think General Welsh's last comment, the very last point he made about we will go when the next conflict happens, that is a true statement. There will be nobody at this table that will hold back, but I am reflected back to Korea when we came out of World War II and that great struggle in Europe and the struggle in the Pacific, and that both those campaigns were over, 1946, America turned its back on its military across the board, and statements like, we will never do another amphibious assault, there is no reason to have that kind of talent, those ships. We had over 1,100 amphibious ships in World War II. We are down to 30 today.

It was Inchon, 1952, where the marines landed under General MacArthur and came in the backdoor of the North Koreans that ac-

tually began to relieve the pressure on Seoul. But when that force was put together, it was cobbled together across the United States of America. We had marines that went even without boot camp; never been to boot camp. Medal of Honor recipient, 2nd Battalion 7th Marines, never went to boot camp. Now, you could say, well, maybe that is okay then, but I will tell you what, there was a lot of young men that didn't come home from the Korean conflict as a result of our negligence coming out of World War II.

For us some mechanical things that you can attribute to, we have got nine F/A-18 [Hornet fighter jet] squadrons in the United States Marine Corps. That is it, nine. There are more than 80 aircraft carriers. There are four deployed to Iwakuni, Japan. We have some right now in the Persian Gulf postured to do our Nation's bidding there.

By January of next year, I will have less than half of the airplanes available to put in squadrons. What that means is those four deployed squadrons will have their full complement of 12 airplanes. Those squadrons that are back home preparing to go will have less than five of a 12-plane squadron.

Our training is already being degraded back home because we are taking money from training ranges and training opportunities to make sure that those units that are next to deploy, the ones that are going to go into Afghanistan, we are in the middle of changing over right now, in the month of February and March what we call the 13 Tach I Force is going into Afghanistan. They have already been trained. They are fine. They are at what we call a C-1. They are at the highest level of training. The forces that will relieve them in the August and September timeframe will be the same. But as I said in my opening remarks, the seed corn for that was eaten and paid for for long-term readiness to get those forces ready to go.

And finally, I would like to throw this out to the committee here. Several things have happened in the last 3 years, and I think it would be instructive to ask ourselves, what is it we would not want to do? When we start talking about Jon Greenert's ships and his faithfulness in trying to get his ships forward deployed and he is working hard on it, and I am a partner in that, but here is a couple of things that we did since 2010, with your Marine Expeditionary Forces forward deployed. 2010, the 15th Marine Expeditionary Unit, deployed for 7 months, rescued the crew from the *Magellan Star*, flew 312 combat sorties over Afghanistan. The 53-Echoes [CH-53E Super Stallions], they are 35-year-old helicopters, flew 400 miles deep into Pakistan up in the most dangerous part to rescue over 9,000 people in the Pakistani floods.

The 31st Marine Expeditionary Unit in the Western Pacific went to the Philippines as a result of a mega-typhoon, delivering 170,000 pounds of relief and rescuing 600,000 victims. I mean, the magnitude of that is staggering. They turned and they went to northern Japan to Sendai. Nobody told them to go. They just anticipated the mission, and the very next morning after that terrible earthquake and tsunami and the impending nuclear disaster, the marines of the 3rd Marine Expeditionary Force went up there for 45 days and flew into radioactive plume, rescuing over 9,000 Japanese

and delivering more than a hundred—several hundred thousand supplies.

2011, 26th Marine Expeditionary Unit rescued the displaced persons from Tunisia when that country began to unravel.

Operation Odyssey Dawn started, the air campaign over Libya. For the first 2 days, those were marines that were flying the deny flight campaign over Libya. They rescued the F-15 [Eagle fighter jet] pilot late at night in an MV-22 [Osprey tiltrotor aircraft].

Lastly, a series of other things, but in 2012, the 24th Marine Expeditionary Unit just this past December on its way home, had left after being in the Central Command AOR [area of responsibility] for 8½ months, they were outside the Straits of Gibraltar and got turned around and headed east when the Palestinian and Israeli conflict broke in the Gaza Strip. And the whole world looked at that. We didn't know what was going to happen. And yet the 24th knew, found itself off the coast of Israel.

Those are the kinds of things that our Nation is going to either have to say we are not going to do in the future, and that is a significant strategic decision. And that is why I said in my opening comments, this is not a budgetary issue. These are strategic consequences that we are dealing with.

Thank you.

The CHAIRMAN. General.

General GRASS. Mr. Chairman, I think the last time I checked there is about less than 1 percent of our population serving in uniform today. And we are all, I think if you ask any of us, we are all very proud of an All-Volunteer Force, well led, well trained, well equipped. And the National Guard is a part of that All-Volunteer Force, and we train with the Army and the Air Force at their installations, we train at their combat training centers, we train combat training center operations and command post exercises with every level from division down to company.

That training gives us leaders that can go into situations like not too long ago, Hurricane Sandy, as it came ashore, 12,000 guardsmen from 10 States and a host of other aircraft that moved equipment and personnel, both military and civilian, into the area, 12,000 across those States. The reason they were able to do what they do every day is the individual training they received at basic training and advanced individual training and then the additional training, collective training they received back home, and at some of these combat training centers where we train today, these regional locations.

They were also able to do it because of the leadership they had both at the company battalion level, but also at the brigade and division level. We have going those leaders over time because we have had the opportunity to do that training.

On the air side, I am very concerned about our pilots, especially our rotary wing pilots who do search and rescue every day across this country somewhere. And I am very concerned about them flying because when they do fly into situations like last week with the storm that approached and came up the Northeast, very extreme conditions and as you continue to degrade the experience level of the flying hours and the opportunities to go to some of the most difficult places to train, like the high-altitude training center in

Colorado, if you degrade those opportunities our pilots are going to be less qualified. And I think, sir, we do have to keep that. We will put everything we can into moving forces into these training centers that are going overseas first, but I do see a degradation of those back home.

Thank you.

The CHAIRMAN. Thank you.

Mr. Smith.

Mr. SMITH. Thank you, Mr. Chairman. I will try to be quick here. I know there are a lot of other members who want to get in, so I will just direct my questions actually to Dr. Carter. And the focus of the questions is if you were able to get some certainty, I want to know how much that would help.

Now, obviously, you know, there are concerns about any further cuts in the discretionary budget. There are many folks on this panel who think that there shouldn't be any further. Personally I think there probably is room for some further cuts, but the big problem is that you have had 2 years now with the CR, with the debt ceiling threat, threat of Government shutdown, CR does not enable you to fund the right programs. So let's say hypothetically, you know, we were to take a 10-year number and say, you know, we would ask for another \$175 billion cut from defense, but you could do it pretty much wherever you want, we do it through a normal appropriations process, but right now today we said that is the number, we are going to give you an appropriations bill, we are going to kill sequestration, we are going to raise the debt ceiling, we are basically going to take that uncertainty off the table and let you budget going forward for 10 years with \$175 billion more that you need to cut. How much of everything that we have heard here would that help solve?

And I will throw one other little curve ball in there, something we haven't mentioned today: There are cuts that DOD has proposed that Congress has legislatively prohibited you from doing. I think the most dramatic of these was the cruisers that we wanted to decommission that you now have to keep, but you also don't have the money to operate. How much of that also throws into that problem? If you could just touch on those two points, that is all I will have.

Secretary CARTER. A very good question. I will try to answer, because I think someone watching this from the outside would reasonably ask everything that we have been saying: Why does it go to pot so fast? That is the near-term question, and it has to do with the continuing resolution and the immediate effect of sequester.

And what is going on here is that a lot of the impacts that are so severe are in the operations and maintenance accounts.

Mr. SMITH. That is what gives us the hollow force, is you have got a situation where, you know, you can only cut from certain places. You can't make the long-term planning of reducing, you know, longer term procurement or reducing force size. You have got to cut right now, and if you are cutting right now, that is day in and day out training. You are not able to train the force, basically. Sorry. But that, I think—

Secretary CARTER. That is exactly right, and that is why this year with sequestration, with the continuing resolution, we just

run out of training money toward the end of the year, and the consequences of that have been described.

You are asking a longer term question about defense spending in the long run. It is a very good question. And we last year began an adjustment that we are still just embarked on to accommodate \$487 billion in budget adjustments. We have worked very hard to do that in a strategic way in accordance with the President's strategy. We have not gotten all of the congressional authority that we need, so there were adjustments that we wanted to make that were in the best interests of the strategy that were not accepted, not supported by the Congress, and that is a big issue for us going forward if we are going to accomplish that \$487 billion adjustment.

Mr. SMITH. Because you face the same consequence there. If you are planning on a \$487 billion reduction, I think it is fair to say, by the way, that that was a reduction in what we were projected to spend. It is not a dollar-for-dollar cut, it is what we were projected to spend, but if you are projecting that out and you say, okay, here is what we are going to do, and then we can come in and say, nope, you can't do that, then you are forced back into a similar situation of, okay, well, we have got to get the money somewhere else, and that forces you back into those short-term, difficult, hollow-force adaptations.

Secretary CARTER. The turbulence and uncertainty all by itself is a problem to us. I will just give you one other illustration of that, which is in our programs with—acquisition programs. Every time we have a program that we have on a sound footing, we are trying to get the best value we can, we have an industry partner who has thought through how they are going to operate their line, how they are going to operate their workforce, and so forth, that is what you want, you want the most economically efficient possible way of providing our equipment. All that gets thrown into the turmoil every time one of these changes is made. So turmoil, uncertainty all by itself is a bad thing.

And this year the combination of continuing resolution and sequester is just particularly severe, particularly this late in the fiscal year, and that is why the consequences that are so dire and so immediate are very real.

Mr. SMITH. So, I mean, so basically, I mean, long-term cuts are a challenge. You have got 10 years to sort of figure it out. And I don't want to minimize that. It certainly is a challenge. But it pales in comparison to the short term not knowing if you can continue any one of the programs that is right in front of you because you don't have an appropriations bill that enables you to do it because sequestration is coming. Those short-term things cause chaos, frankly.

Secretary CARTER. Right. Well, they are both concerning to me. The short-term chaos is concerning and the long-term endangerment of our strategy and our position in the world and our ability to have the force structure and the modernization and the people that we require for defense, both in the short term and the long term are—

Mr. SMITH. Okay. General Dempsey.

General DEMPSEY. I do feel obligated, I feel like I would like to respond as well, Congressman. Clearly budget certainty, time and

flexibility help, but there is a magnitude issue here, too. We built a strategy last year that we said we can execute and absorb \$487 billion. I can't sit here today and guarantee you that if you take another 175 [billion dollars], that that strategy remains solvent.

And if you are wondering why this is so hard, let me just use the Army. You know, people say, well, hell, you did it after World War II, you did it after Vietnam. After World War II, we went from a million-man Army to 781,000. After Vietnam actually, 781. In the 1990s we went from 781 to 495 [495,000]. We grew it for Desert Storm, for OEF and OIF to 570 [570,000]. It is on the way to 490 [490,000] because of the Budget Control Act.

The question I would ask this committee, what do you want your military to do? If you want it to be doing what it is doing today, then we can't give you another dollar. If you want us to do something less than that, we are all there with you and we will figure it out.

Mr. SMITH. Okay. That makes sense. Thank you. I yield back.

The CHAIRMAN. Thank you.

Mr. Thornberry.

Mr. THORNBERRY. Thank you, Mr. Chairman. And I just have to observe that I think in the 51 years we have had a defense authorization bill, I don't think we have ever swallowed any President's proposal whole without making some adjustments, but of course what we are talking about today is on a different scale, as General Dempsey was just describing.

General Odierno, in November 2011 we had a hearing in this room on sequestration, and you testified that if we go beyond that, talking about the 487 [\$487 billion], it becomes critical and it becomes a fact that we will no longer modernize, we will no longer be able to respond to a variety of threats. General Dempsey just said another dollar beyond the cuts that you all have already planned for changes the strategy. And it sounds to me like your testimony said if we go beyond that, we cannot respond to those threats. Is that still your testimony today?

General ODIERNO. What I said was in the context of what we are required to do, so I want to make that clear, so back in 2011, that was in the context of what you are asking the Army to do, we would not be able to do that. I think it is very much in line with what General Dempsey said.

I would just throw out one other point, is with the Army it is about force structure. So, you know, you have got to balance force structure, readiness, and modernization. You know, for us to move forward, any significant cuts is a further reduction in our force structure.

And what I would just tell everybody, we haven't even started our reductions yet based on the \$487 billion cut. That will start in 2014. Everything we have done so far has been overseas. That now starts in the continental, in the 50 United States in 2014. That is going to be dramatic. And I just want everybody to be braced for that. That has nothing to do with sequestration. If sequestration goes into effect, that doubles, and we haven't even started the reductions yet. And that has a significant impact on readiness and our ability to respond in itself.

Mr. THORNBERRY. Okay. General Amos, at the same hearing, you testified that, so if you go beyond that amount, \$1 billion, \$2 billion, \$5 billion, it is going to come down in force structure and it will mean capabilities and ability to respond. And is that still your position today, that beyond what you have already had to deal with, this 487 [\$487 billion], further cuts as, you said, 1 billion, 2 billion, 5 billion, it comes down to force structure and our ability to respond?

General AMOS. It certainly does, sir. I absolutely agree with that today. The landscape has changed a bit. Just even the very matter of resetting a force that is currently in Afghanistan, all the gear that we have had, we still have that bill and it continues to slide. So not only will we have less capability because reset is now in competition with modernization, which is in competition with O&M [Operations and Maintenance], which is in competition with readiness, and finally in competition with personnel costs, all of it fits in the alchemy.

So, yes, what will have to happen is our capacity, you know, the total volume, the ability to be able to do the things that our Nation expects its Marine Corps to do will be reduced.

Mr. THORNBERRY. General Welsh, you weren't here at that hearing, but your predecessor testified that we are confident that further spending reductions beyond the Budget Control Act's first round of cuts cannot be done without substantially altering our core military capabilities and therefore our national security.

Do you agree with that?

Mr. WELSH. I do, Congressman. We were already in a position in the Air Force of trading modernization for readiness. You saw it in the decision on the C-27 [Spartan military transport aircraft] last year and our recommendation on the Global Hawk Block 30 [RQ-4 unmanned aircraft system]. We didn't want to get rid of those platforms because we wanted to get rid of the platforms, it is because we couldn't afford to keep doing everything we were doing. So we are trading new capability in the Global Hawk Block 30 to improve our readiness numbers for the remainder of the Air Force. I absolutely agree with General Schwartz's comments.

Mr. THORNBERRY. Well, let me just observe that the President's answer to sequestration has been more cuts in defense, at least as part of what he calls a balanced approach. And I hope each of you all are describing these consequences to him, because further cuts beyond the Budget Control Act are going to move us in the direction that you have all warned about here today.

One other observation during my last 20 seconds, the House has acted twice last year to substitute sequestration cuts for—or other targeted cuts for sequestration cuts. The chairman has introduced a bill to prevent sequestration by Federal attrition. I introduced a bill to stop sequestration just by delaying further implementation of the Healthcare Act [Patient Protection and Affordable Care Act]. There are other ideas that members have, and to quote the President, we can do this, we just have to want to.

I yield back.

The CHAIRMAN. Thank you.

Mr. Cooper.

Mr. COOPER. Thank you, Mr. Chairman. This is a sad day for this committee, a sad day for Congress, a sad day for America. The witnesses have basically told us of a military emergency that is going to be facing this country, but I don't sense that we feel like there is a congressional emergency. This is one of the largest, if not the largest committee in the House of Representatives, and apparently we don't have the ability to force a vote between now and March 1, when sequestration kicks in. Maybe there is one scheduled that I am not aware of, but basically the House has been doing trivial pieces of legislation for the last several weeks and we are about to go on a district work period next week. So as our Nation faces a crisis, and this is the Armed Services Committee, we are doing almost nothing, in fact, there is not even very good attendance at this hearing to hear the Chairman of the Joint Chiefs and all the Chiefs. This is amazing. There is a disconnect here.

As Dr. Carter said, this is all the result of collateral damage from political gridlock, and a lot of the members' statements we are hearing more signs of political gridlock. This is a congressional responsibility and this is the Armed Services Committee. What are we doing about it? We have the power to fund this shortfall. Let's use that power. And if we refuse to do that, we at least have the power to give you all the flexibility to minimize the damage. We are not even doing that, because we insist on micromanaging the Department.

So let's take some responsibility here. And as General Dempsey said, if we won't fund the mission, let's have the courage to admit a smaller mission. We are refusing to do that. So why does this committee exist if we don't take responsibility, if we don't do our job? Because our men and women in uniform are doing their jobs. We in Congress are not. And we are about to take a week's vacation right as sequestration is about to hit. How does that make sense? We do not even curb our CODELs [congressional delegations], much less take a salary reduction as a result of shared sacrifice principles, like Dr. Carter and others are doing, who are political appointees. We are political appointees. We were lucky enough to get elected by our folks back home. What are we doing to help our military?

Mr. Chairman, the best I can tell this committee is doing little or nothing except talking about it, and yet we are about the largest committee in Congress. We presumably have enough votes, enough clout with both parties to get something done, to shake something loose before it is too late. As you all know, as a practical matter, it is already way late, because fourth quarter growth last year was negative partly as a result of defense drawdowns already anticipating problems, and we are about to make that worse due to congressional inaction, due to congressional gridlock?

America deserves better. And Mr. Chairman, I think it is up to this committee to do better. And we have precious few days left to do it. So I would urge my colleagues, I would urge congressional leadership, let's at least have a vote on this before sequestration happens, let's go on record. Let's not just duck and dodge, as Congress has been doing for too long. America deserves better and America deserves a vote.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Cooper. This is the largest committee in the Congress. We have 62 members. We have now 34 Republicans and 28 Democrats.

I will just point out, this is a bipartisan committee and we do strive always to work in a bipartisan way. Thirty-one of the 34 Republicans are here in this hearing today or have been here. And I agree with you, I don't know why everyone isn't here. And we have introduced bills. As Mr. Thornberry said, he introduced one, I have introduced one, and we have tried to move things in this, but the funding that you are talking about generates from other committees. So within the jurisdiction of our committee, we got our bill passed last year, we got our bill passed the year before, and we have done the things. If you have other things that we could do within our jurisdiction, I would be happy to see that we have a vote in this committee.

Mr. COOPER. If the chairman would yield, how about flexibility for the Department of Defense so that at least they have the discretion to manage within their means?

The CHAIRMAN. That is a good suggestion.

Mr. Jones.

Mr. JONES. Mr. Chairman, thank you. And your comment early about it is the Congress and the policymakers that send our troops to war and whether they are necessary or not, and that is debatable, but I think about the fact we spent over \$1.56 trillion in Afghanistan and Iraq combined.

And Secretary Carter, the problem is the American people do not fully understand the deficit and the debt problems facing our country. And we have had the policies that have worn out the budget for our military, and I blame the Congress for that, and I am part of that, but it leads me to a point, a comment you made, and I want to build on this very quickly. You said protect the money for Afghanistan. Well, this Monday, driving from North Carolina to D.C., I was listening to C-SPAN, and John Sopko, who is the inspector general for Afghan reconstruction, made the comment that we are spending \$28 million a day in Afghanistan. He took calls from the American people.

Secretary CARTER. That is right.

Mr. JONES. Most of them were very anxious to hear that kind of money being spent in Afghanistan. He actually said there is so much fraud and abuse, and gave an example of building a police barracks, I believe, and the Taliban bombed it a week or two later, blew it up, so they are rebuilding that. And this is where it is not fair to the military that—the American people love the military, the majority do, and yet when they see that we are spending this kind of money overseas and the country we are in is known as the graveyard of great empires, I want to thank the President for reducing the number of troops this year, and I mean that sincerely, but we signed a 10-year strategic agreement with Afghanistan, so that means there is still going to be money going to Afghanistan, there will be some troops there, and we will have nothing to show the American people. So therefore, it is tough for us not to issue sequestration. I agree with the chairman and Mr. Cooper. I didn't vote for the bill, by the way, so I am not trying to blame anybody else, but I didn't vote for it because I didn't understand sequestra-

tion, and it was something that if I don't understand it, I try not to vote for it, but we are not—when we are telling the American people yesterday in the *Marine [Corps] Times*, it says Obama okays \$50 million to assist France in Mali, well, I know that that might not sound like much to this committee or to those that are testifying, but the people that read that in eastern North Carolina, that is a lot of money. Yes, we are supposed to get repaid by the French, but I think we have got a public relations problem with the American people. I don't think the military does, but I think we policy-makers and the Administration, I even go back to the Bush administration and now the Obama administration, we have got a problem when they see us spending all this money in a foreign country with very little accountability, and then we come here and talk about our concerns. And we all are very concerned about sequestration and continuing resolutions, but Mr. Secretary, that is the problem we have got. They see us being the big cock on the block on one hand and the man with the cup begging for pennies on the next. It just doesn't wash with the American people.

Secretary CARTER. Well, Congressman, you have a number of important points there. I mean, the first is the strategic question of why do we have our military in the first place, what are we doing in Afghanistan, how long are we going to be in Afghanistan, are we going to succeed in Afghanistan. You mentioned Mali as well. These are the kinds of commitments that America has long fulfilled and that we have believed are important for our security. And I think what you have been hearing here today is that unless we have long-term budgetary stability and adequate funding, we indeed can't do these things, and then we can discuss whether they are necessary or not for our security, and after all, Afghanistan was the location from which 9/11 originated.

You made another very important point, two other very important points. If we are going somewhere, and just for the moment leave aside whether we should be in Afghanistan, given that we are there we can't short the troops. And that is what we have done, is protect the funding for Afghanistan in this year of where we have the continuing resolution and sequestration hitting us, and that is one of the reasons why it is even worse in the other part of the budget, and that is why for things that are not directly related to Afghanistan, the hit is even larger.

And finally, you mentioned fraud and bad contracting practices. They do occur, they are unacceptable anywhere. And I think that the Department has tried to learn the lessons of Iraq in Afghanistan, improved contingency contracting, crackdown on waste, fraud, and abuse, but even a single dollar lost that way is unacceptable and it doesn't make any sense for us to be asking for funding from the taxpayer if we are not also making sure that every dollar is spent the right way. So that is an excellent point.

The CHAIRMAN. The gentleman's time has expired, and that is a good point. I wish he had gone on to tell about the investigations and the people that are in jail and the contracts that have been—they have done a lot in trying to clean that up.

Ms. Bordallo.

Ms. BORDALLO. Mr. Chairman, thank you. Gentlemen, I thank you all for your time today. It is clear through the many hearings

that we have already had on this topic that sequestration would have lasting effects on the readiness of our Armed Forces. We all agree on that.

My first question would be to you, Dr. Carter, or perhaps General Amos. Kim Jung-un once again this week showcased partially why we are rebalancing to the Asia-Pacific region. His reckless actions highlight the need for the United States to maintain a robust presence in this region of the world. So to that end, I am concerned about the possible impact of sequestration on our rebalance efforts.

Keeping in mind that the U.S. has an international agreement with Japan, what impact would sequestration have on the realignment of Marines from Okinawa to Guam, Hawaii, and Australia? It would seem to me, gentlemen, that we need to fulfill our international agreement.

Dr. Carter.

Secretary CARTER. I will make one comment and then ask General Amos and then perhaps General Dempsey more generally for the Asia-Pacific.

You are right. The cuts that would begin with sequestration in 2013 and that would extend out over the decade that we are saying would require a change in our strategy, one of the ways our strategy would need to change is we couldn't do what we want to do in the rebalance to the Asia-Pacific theater. And that is a very important strategic objective for this country, because for 70 years we have kept the peace in the Asia-Pacific region. That is what has led to prosperity there, which we have benefited from, and we are trying to keep that pivotal role of the U.S. military in the Asia-Pacific theater going, and in fact to renew it after a decade of focus and concentration on Iraq and Afghanistan. And all that, which is critical to our strategy, is put in doubt and put in jeopardy if these further budget cuts go on.

Ms. BORDALLO. General Amos.

General AMOS. Congresswoman, I will be happy to talk about this, because it is very important to me. We have taken aboard the shift to the Pacific and the reorientation of Marine forces as directed pretty seriously. We have got over \$3 billion in the FYDP [Future Years Defense Program], and there is a portion of that that is in serious jeopardy.

As you are aware, we have begun the groundwork for some of the early realignment of forces on Guam. We have more to do this year. There is money in the budget to do this. We can't get the project started. So in essence the realignment from Okinawa to Guam, if sequestration continues, is going to jeopardize that shift to the Pacific. But we have already begun putting more forces in the Pacific. We put another unit deployment. In fact, we have got two more infantry battalions on the ground in Okinawa today. You are aware that we have got the force on Australia that we are working with them. All of that is going to be in jeopardy. If sequestration hits, the 2nd Battalion that I just put on the ground on Okinawa, I won't have enough money to bring them home.

So we are serious, we have the money, we have aligned the forces for the Marine Corps over the next 18 to 24 months to move to the Pacific. We are committed. We are committed to go to Guam, we are committed to reduce the presence on Okinawa, all the

things that our Government and Japan have agreed to. But if sequestration hits, it is untold yet exactly what the impact is going to be, but Congresswoman, you can rest assured it will be a significant impact.

Thank you, Congresswoman.

Ms. BORDALLO. Thank you. General Dempsey.

General DEMPSEY. Thank you. Just to let you know, what the Joint Chiefs do, the reason we exist, is to balance priorities. So the combatant commanders keep sending demands: We need this, we need that. This group right here takes it in almost weekly, actually, and tries to balance the priorities. And the balancing act, if you will, gets a lot harder as the resources shrink.

Ms. BORDALLO. I just want to remind everyone, this is my only question, Mr. Chairman, but, you know, we do have an international agreement to fulfill here. And I think this may have—if we begin to withdraw or decide not to go ahead with this, could have lasting effects between our ally Japan and ourselves. So I want to thank—is there anybody else that wants to comment on this?

General AMOS. Congresswoman, I would like to just make one more comment on the Pacific, on just the importance of it. We have got five international treaties. It is more than just Japan. It starts in Japan, it goes to South Korea, it goes to the Philippines, it goes to Thailand, and it goes to Australia and New Zealand.

So we have 60 percent of the world's population is in the Asia-Pacific area. Seventy thousand people die of natural disasters every single year in that area. Forty-nine percent of the world's oil passes through the Straits of Malacca, 100 percent of China's oil does, 100 percent of South Korea's. This is an important region for us and they are trading partners with us and they are active, so we have a very vested interest in the Asia-Pacific area.

Ms. BORDALLO. Thank you very much, General, and Dr. Carter and Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Forbes.

Mr. FORBES. Thank you, Mr. Chairman. General Odierno, you know, I hope, how much I respect you and each of the gentlemen to your left who head our Services. I respect your service to our country and your military judgment, but each of you now face probably the largest deficit in your O&M accounts that you have faced in a decade. And, General, I am going to ask you the question, because you have the largest.

If you look at the chart that I have up here, I was a little bit surprised when Secretary Carter thanked us for giving him the opportunity to explain the impact of sequestration. This committee has not only given that opportunity, we have begged and pleaded to try to find out that impact for well over a year.

If you have trouble reading this chart, you can look and see that the BCA [Budget Control Act] was signed into law in August, not of 2012 but of 2011. Like many people, I didn't vote for it, I didn't sign it into law. I lost. Congress passed it, the President signed it into law. It was the law of the land in August of 2011. The "super committee" [Joint Select Committee on Deficit Reduction] failed in November of 2011.

There has been 560 days since it was signed into law as the law of the land, 447 days since the super committee failed. And if you look to the far right, that is just within the last couple of weeks when we have received the memos from you guys about the impacts that this was going to have.

We know that this planning didn't take place, because Secretary Hale testified before this committee in September of last year that they were still trying to understand how the law worked, this is over a year after it was passed, and that they would do the planning as they got closer. We then heard the Assistant Secretary for Defense for Public Affairs say that they were just beginning the planning, that we would get more specifics in December, just a couple of months ago.

So General Odierno, my first question to you is based on your best professional military judgment, was it a mistake to wait that long, all this period of time of silence, was it a mistake to wait that long to do the planning and communicate to the American people the impacts that we would have from sequestration?

General ODIERNO. I think first there is a couple of things here, Congressman. First there was a kind of a Bermuda Triangle happened. So the problem we have for 2013 is part—

Mr. FORBES. And, General, I don't mean to cut you. I only have 5 minutes.

General ODIERNO. Okay. But—

Mr. FORBES. If you refuse to answer my—because I am going to come back to the Triangle.

General ODIERNO. Okay. Well, the problem we have is, you know, we thought if necessary the \$6 billion reduction would not have as great an impact as I am now testifying to, because it is now an \$18 billion. Sequestration is about \$6 billion. And, yes, that still has a significant impact, but in combination with the other two it has grown, and that is why you are hearing these grave impacts now.

Mr. FORBES. But as to sequestration, was it a mistake to wait that long to do the planning and communicate its impact to Congress, yes or no?

General ODIERNO. I communicated the impact of sequestration last year. You know, I mean, we were very—I mean, it might have been general in nature, but we were very clear on the impact of sequestration. So our testimony on sequestration is not new.

Mr. FORBES. Well, General, we were asking these questions and we couldn't get specificity. And again I come back to Mr. Hale's testimony in September. If you were doing the planning, Mr. Hale certainly didn't indicate the planning was being done.

General ODIERNO. No. We made a decision in the Department of Defense, which we agreed with, that we would wait on planning. And, frankly, that is because we never thought it would be executed.

Mr. FORBES. And, General, if you don't do the planning, how do you know the impacts?

General ODIERNO. We knew in general terms the impacts. We knew the—you understand the impacts of a \$6 billion reduction in 2013, you understand the impact of a \$170 billion reduction across the armed—

Mr. FORBES. General, the only thing I will just tell you is this: We heard over and over again when we were asking you guys what is the impact, we were hearing, we are not doing the planning, you can't plan for chaos. And the American people needed to know that.

Let me go to General Welsh. General Welsh, I just heard you say that the Air Force has been in a decline in readiness since 2003. How then could the Air Force sign off on \$487 billion of additional cuts to national defense in 2011?

General WELSH. As I mentioned, Congressman, our view was that we could do that with manageable risk. There is no—

Mr. FORBES. But you—

General WELSH. There is no margin remaining.

Mr. FORBES. But that wouldn't have turned around the readiness decline that you testified was happening since 2003, would it?

General WELSH. Well, it would if we tried to within the Air Force change the way we spend our money, which was the purpose of the PB [President's Budget] 2013 budget that was originally submitted.

Mr. FORBES. Admiral Greenert, when you gave us the impacts on this, you didn't give them to this committee—you know, basically I had to find them from a reporter when they were given out recently on that.

Let me ask you, I heard you testify early about all the ships that we don't have in places across the globe, and I think that was your testimony earlier. Did I mistake that?

Admiral GREENERT. That we would not.

Mr. FORBES. We would not have?

Admiral GREENERT. Today we do.

Mr. FORBES. With these \$487 billion of cuts, in retrospect, you know, you heard General Odierno say that this is the perfect storm. Was it a mistake to sign off on those \$487 billion of cuts?

Admiral GREENERT. That \$487 billion in cuts were a law, so—

Mr. FORBES. So was sequestration, Admiral.

Admiral GREENERT. We still have time, Congressman.

Mr. FORBES. Okay.

Admiral GREENERT. It is not yet.

Mr. FORBES. I yield back.

Secretary CARTER. Mr. Chairman, can I say something about the planning and the timetable here since it was raised and—

The CHAIRMAN. Could you do it very briefly?

Secretary CARTER. No. I just want to say—

The CHAIRMAN. We have got a lot of people who want to ask questions.

Secretary CARTER. I just want to say it is a very good question, it is a fair point to raise, but I would make two important points about it. The first is that we have been describing the consequences of sequester for a very long time. We have been anticipating them. They are not hard to see. So planning isn't the problem, never been the problem. The problem was doing something.

Now, we didn't do anything until the last few months in the sense of beginning to act as though sequestration might really occur, because doing so is harmful. So we have always tried to balance acting in a way that is harmful to defense in the anticipation that you might not act to stop sequestration against the risk associated with carrying out something that might not actually come to

pass. We have tried to make that balance. We made that balance in the fall by not beginning to do things like lay people off and release temp and term employees and so forth.

Beginning in January, I did instruct us to begin taking action. That is different from planning. That is taking action. We don't like to do that. These are not things that we will wish we had done if 2 weeks from now there is no sequester. These are not good things to be doing.

The CHAIRMAN. I think what the gentleman was getting at in his question is we in previous hearings were told that you had been ordered not to plan up until last December, which was about 2 weeks before it was supposed to begin. That is probably what the gentleman—

Mr. FORBES. Mr. Chairman, since I asked the question, my concern was this: We have been after the Pentagon for well over a year, as you know, to give us the specificity of what this would actually mean, and we were constantly told, we can't get that information because we haven't done the planning. And my point is it would have been a lot easier for us to persuade Congress to act had we had that specificity months ago instead of waiting until a couple weeks before the deadline would take place.

The CHAIRMAN. Thank you.

Mr. Courtney.

Mr. COURTNEY. Thank you, Mr. Chairman. You know, in fairness to the panel that is here, I actually think it was reasonable for them to expect Congress to do something in the intervening period. Again, sequestration has a legislative history that goes back to 1985, which is in our memo today. The sequestration language that was adopted in the Budget Control Act verbatim adopted the 1985 sequestration. And if you go back to read one of the sponsors, Phil Gramm, who authored that back in 1985, he states very clearly, it was never the objective of Gramm-Rudman to trigger a sequester. The objective of Gramm-Rudman was to have the threat of the sequester force compromise and action.

And we saw a little microscopic example of that on January 1st of this year when the fiscal cliff bill was passed and we actually delayed sequestration for 2 months. I mean, obviously, you know, pathetically inadequate, but nonetheless, if you look at the structure of that compromise, of that act that Congress approved, it was equally divided between revenue and spending cuts. That is the Da Vinci Code here in terms of trying to get the people on both sides of the aisle to actually find a real solution, and that really should be what we are focused on.

Again, I give this panel great credit for the fact that you are still, you know, doing your duty to the people of this country, but frankly you shouldn't be in this position. And, again, looking at the history of Gramm-Rudman through 2002, when it was finally laid to rest because we had a balanced budget, it was Congress that had to sort of bump and grind its way through budgets that eventually got us to the place where it became a nullity. And that is our job, that is really how we fix this, not sort of finger pointing about whether or not people were doing planning for the indiscriminate cuts which Secretary Carter described those I think about two or three times before this committee last year.

Admiral Greenert, I would just like to actually, though, focus for a second. I mean, your testimony, which again talks powerfully about sequestration, I mean, the fact is, though, that the Navy has other issues here in terms of CR's impact on your O&M account, repair and maintenance.

And I just, you know, if we, again, pull a rabbit out of our hat in the next 24 hours and get sequestration off the table, I mean, the fact is that Congress still has more work to do in terms of the CR and its impact in terms of keeping a fleet that is ready to fulfill its mission. Is that correct?

Admiral GREENERT. Yes, sir, it is. We have a \$4.6 billion delta, if you will, between what I need to get the job done in fiscal year 2013 and what would be in the budget, which is the fiscal year 2012 level.

Mr. COURTNEY. And, again, just in the last year, I mean, there have been, you know, the usual unexpected events like a fire of a submarine up in Maine and collisions at sea that you have to fix. I mean, this is not stuff that, you know, again, you can just sort of eat with a flat line from last year's CR. Is that basically the problem?

Admiral GREENERT. Yes, sir, that is correct. The difference—the 3.2 billion [dollars] literally is the difference between fiscal year 2012 and fiscal year 2013 in our President's budget, but as you said, the world kind of gets a vote. So there was an arsonist started a fire on a submarine, \$350 million. That is not budgeted. There is a collision, \$125 million not budgeted. And there is operations in the Gulf to support UAVs [Unmanned Aerial Vehicles] from ships, to support an additional carrier strike group, which we spoke to, would have been the *Truman* and other operations, the *Ponce* [USS *Ponce* (AFSB(I)-15)], which is our Afloat Forward Staging Base, all rolled together at \$1.4 billion.

Mr. COURTNEY. Thank you. And obviously it has a ripple effect on the workforce when you cancel repairs, you know, planning for having folks in the shipyards obviously takes a hit when that happens.

Admiral GREENERT. Well, there is a double whammy, if you will. If we furlough, then the workforce is less. And then we will eventually, we don't—they don't have the work, so readinesswise, we have less workers, we have less work to be done.

By the way, this doesn't go away. You don't change the oil in your car, go in for the 20,000-mile checkup, you won't get that car for its warranty, and the expected service life is an issue then for the ships. It is a bill we have to pay.

Mr. COURTNEY. Secretary Carter, briefly. The President called for a drawdown to 34,000 troops by the end of this year. Your budget last year had \$88 billion for Afghanistan, going down to \$44 billion. Again, projecting out, I mean, assuming that we stay on course to 2014, getting down to kind of a rump force, I mean, there are savings there that we can book at some point. Am I being too optimistic?

Secretary CARTER. No. You are absolutely right. The Overseas Contingency Operations budget, which is separate from our base budget, which was about \$89 billion last year will go down as the commitment in Afghanistan goes down.

I should just add parenthetically that in addition to funding operations in Afghanistan, OCO [Overseas Contingency Operations] also funds, for example, the reset of equipment of particularly Army and Marine Corps equipment. So those bills will need to be paid even as the Afghanistan war winds down, but you will see OCO go down in the next few years. And we will be calculating that budget, and Secretary Hale will in coming months.

Secretary HALE. Just to add briefly, there are other costs like retrograde, getting the forces out, that are going to add to our near-term expenses. So I think it remains to be seen how quickly, but the Secretary is exactly right. It will eventually come down.

Mr. COURTNEY. Thank you.

The CHAIRMAN. Thank you. The gentleman's time has expired.

Mr. Wilson.

Mr. WILSON. Thank you, Mr. Chairman. And thank each of you for being here today. I want you to know it is my view that you indeed are providing testimony from the heart. This is the most candid hearing that I have had the privilege of attending. And also it reminds me of how in the world did we get here? And according to Bob Woodward in his book, *The Price of Politics*, this originated in the White House, on page 326. And so there shouldn't be finger-pointing. It needs to be addressed. That is why I am very grateful that our chairman has twice led the House to address sequestration to avoid this. Additionally, there is other legislation. And so I truly hope the White House that originated this issue, and I think crisis, needs to come and meet with our chairman and have a positive effect.

Additionally, General Amos, I am very grateful that I—my late father-in-law was a very proud marine, so I know that it is the service of our American military that provides us the freedom to be here today. The Marine Corps is to be reduced by 20,000 marines to 182,000. We know that personnel costs are significantly higher for marines than the other branches.

Will there be additional personnel reduction below 182,000 to address the issues relative to hollowing out of the military?

General AMOS. Congressman, just to kind of make a correction here, the actual cost per marine is less than any other service member. So I have got a little—

Mr. WILSON. Well, that is even—hey, hey, this is good.

General AMOS. True statement. Our percentage inside our total obligating authority is higher than any other Service's. You raise my total obligating authority, my percentage of personnel costs go down. So I just want to make that point.

So we are on our way down to 182,000, as planned and agreed to. I don't know if that is the floor because we don't know what will happen with all the—you know, we think we do. We are planning on sequestration; we have already discussed that. But right now the President has held the manpower account as stable, so that only leaves two other accounts within my Service and all ours that you can deal with. You can pull on the O&M lever, which is training, readiness, or you can pull on the procurement, which is modernization and reset.

So I don't know where it is going to go. Right now I am planning on 182 [182,000]. Quite honestly, 182 I consider to be kind of the

standard floor that I can do the missions that are assigned to the United States Marine Corps around the world, is a 182 size force. Will I go lower? It is hard for me to tell. It is just a function of the budget.

Mr. WILSON. And thank you for your explanation.

General Odierno, you earned your way to credibility with me when I visited with you in Baghdad. And I was so impressed by your candidness, by the success of the reduction in violence in that country, which has been so important for the American people.

As we proceed, the Army is to be reduced by 80,000 personnel to 490,000. You have already very eloquently documented the dire consequences of sequestration. Do you anticipate a further reduction below 490,000 personnel?

General ODIERNO. If sequestration goes into account, we will have to reduce somewhere around 100,000 more soldiers. That would be a combination of the Active, National Guard, and Reserve. So, yes, we will have—we have no choice because 48 percent of our budget is personnel costs. So if our budget goes down, we have to take personnel out.

And that starts to reduce our capabilities and abilities to respond. And it will reduce the number of brigade combat teams, reduce our logistics formations. It will reduce our intel formations—all that are now supporting combatant commanders around the world.

Mr. WILSON. And, again, thank you for being so candid and letting the American people know.

A specific issue is the LUH-72 helicopter [Lakota light utility helicopter]. And, General Grass and General Odierno, it is my understanding that they will be placed in nonflyable storage, possibly on 15 March. What does this do for the homeland missions of the National Guard? And what effect does this have on Army readiness?

General ODIERNO. Let me answer that first, and then I will turn it over to General Grass.

First, the issue is these aircraft were purchased in order to support our training that goes on, our installation, and then support the National Guard in their support of the State Governors in order to meet the missions that they have. And because they are not currently aircraft that are deployed in combat, they are one of the first ones to reduce as we reduce training.

But I will turn it over to General Grass.

General GRASS. Congressman, the first impact is going to be on the southwest border and the mission there. And we are looking at that right now to try to find ways to mitigate the risk on the southwest border mission in support of the States.

Also, we use those aircraft at every disaster, practically, now. And there is a mission equipment package on there that the first responders like that actually can give them pictures from the sky down to the ground.

And one of the major issues that we are going to deal with, these aircraft are very, very economical to fly compared to a UH-60 [Black Hawk medium-lift utility helicopter]. So if we have to go back to flying our 60s, it is going to drive up our operations costs,

our flying hour costs. And, again, with those counts being devastated here in the long term, we won't be able to fly.

Mr. WILSON. Again, thank you very much.

The CHAIRMAN. Mr. Loeb sack.

Mr. LOEBSACK. Thank you, Mr. Chair.

Thanks to all of you for being here today and testifying and for your service, of course.

People often ask me—you know, I am from Iowa—why are you on the Armed Services Committee? We don't have any bases. I used to joke, you know, I follow Joe Courtney, we don't have any submarine facilities, we don't have any bases at all. But we have a lot of brave men and women in the Active service, on Active Duty, in all of the different branches of our military. We have a lot of Guard folks, Air Guard, and Army Guard. We just redeployed, in the case of about 10 or so folks from the 833rd in Ottumwa, an engineering unit to Afghanistan. And, as I said, in the case of some of those folks, it is a third deployment for them.

General Amos knows all too well. My wife Terry and I have a couple children who are in the Marine Corps. As General Dempsey knows, they attended the Naval Academy, but we don't talk about those games anymore.

But, at any rate, there is a lot to be said for Iowa's connection to the military, not the least of which, of course, is the region around the Quad Cities which borders Illinois, and we have the Rock Island Arsenal there. That is why I am very interested in arsenals and depots. Also, I have the Iowa Ammunition Plant in my district, in West Burlington, or in Middletown—a very, very important facility.

But before I get to my question for General Odierno, in particular, with respect to the organic industrial base, I want to associate myself with the remarks of Mr. Cooper. A number of us did not vote for the BCA in the first place precisely because we feared we would be in this position that we are in right now. Nobody wants the sequester. It doesn't make any sense whatsoever.

And my own view is those who thought that somehow we were going to avoid this because somehow in a fit of rationality Congress was actually going to get its act together and the present Congress were going to get their act together to avoid a sequester, I simply didn't have the confidence that that was going to happen. And that is a big reason why I voted against the BCA in the first place. I just was not at all convinced that somehow this institution and that the leadership in this institution, along with the Administration, were going to get their act together and avoid it.

But we are here now, and we are facing these problems, not only for our military but for many other services that are very worthy that our Government performs, that it provides our population. It is very, very critical. I am hopeful but I am not optimistic that we are going to avoid this. I am very concerned about it.

When it comes to the readiness of our military and the organic industrial base in particular, I have a concern about that. And if I might, General Odierno, can you please detail for us, if you can, the long-term effects, the steps that are already being taken in terms of hiring freezes, reduction of temporary and term employees you mentioned earlier, reduction in base operations? What kinds of

effects will these have on the Army's organic industrial facilities and really essential capabilities? And are these effects—even more importantly, are these effects, are they reversible or not? And, if so, how would that be the case?

General ODIERNO. Well, thank you, Congressman.

Over the last several years, we have spent a lot of time really improving the capability of our depots. They have come a long way over the last several years. And they have become efficient; in fact, so efficient, frankly, some of our industrial partners have trouble competing with them because of the efficiencies that we have developed in all our depots.

But we have to sustain this capability of both our depot and industrial base that is right for us as we move forward. The depots are going to be affected. We are going to have longer backlogs. We think, as I mentioned earlier, we are going to reduce about 5,000 employees this year. Frankly, if sequestration goes into effect, we think that would probably double the number of people that we would have to take out of our depots.

So what does that mean? We want to sustain the capability in our depots; we will do that. But it is going to reduce their capacity and throughput of equipment, which is going to slow down our readiness, which is going to take us longer to recover from the wars in Afghanistan and Iraq, which they have done such a great job of helping us as we have got our equipment back and get it reset for use for our soldiers. So you are going to see a significant delay.

The other thing is the partnerships that have been formed with our depots and our industrial base which have become critical to our future. And I worry that we will have to continue to adjust that and lose the great gains we have made.

But when you get down to the individual, personal level here, what is going to happen is and what I am afraid of is we are going to lose some of our engineers, we are going to lose some of our welders, we are going to lose some of our mechanics, and we won't be able to get them back, those who are experienced in understanding how to repair our equipment. And that you can never recover from. And we would have to then rebuild that expertise.

So those are the concerns I have.

Mr. LOEBSACK. Yes, I think it is important we continue to think strategically about this, too. Because whether we like it or not, there is a likelihood—how high we don't know—we will engage in conflicts down the road. We have to have that organic base there. We have to have it ready to be warm as quickly as possible.

We know that in Rock Island, for example, the uparmoring of the Humvees was very critical. And the private sector simply could not take care of that in the same kind of fashion that the arsenal did.

So thank you very much. I really appreciate this.

The CHAIRMAN. The gentleman's time has expired.

I ask unanimous consent to include into the record all Member statements and extraneous material.

Without objection, so ordered.

Mr. Bishop.

Mr. BISHOP. Thank you, Mr. Chairman.

And I appreciate this panel. I came here to listen, and I have heard quite a bit that is beneficial. I have four specific questions, perhaps, and then one general one, if I could do it very quickly.

Mr. CARTER, if you could do this quickly, have you done any calculations as to the termination costs with the supply chain—our contract termination costs that we have developed for our suppliers?

Secretary CARTER. To begin with, we don't anticipate terminating a lot of contracts. Sequestration applies to unobligated funds. So contracts that we have already entered into in the main we will continue——

Mr. BISHOP. So there are no termination costs to calculate?

Secretary CARTER. Well, there may be down the road, particularly if we go beyond this year. There may be contracts that extend over several years. And they won't necessarily have termination charges associated with them, but there will be real costs to stopping them.

Mr. BISHOP. You have calculated that?

Secretary CARTER. Yes. I mean, we can——

Mr. BISHOP. Do you know what that number is?

Secretary CARTER. I don't know what the total number is over the Department. We can get you——

Mr. BISHOP. Thank you. I appreciate it if you would.

Secretary CARTER [continuing]. Those kind of figures program by program.

[The information referred to can be found in the Appendix on page 145.]

Mr. BISHOP. Mr. Welsh, or General Welsh—I am sorry—can you just tell me very quickly what the impact of the 50–50 statute will be with sequestration?

General WELSH. Yes, sir, it is a major problem. As we furlough civilian employees, for example, in the depots, the problem we will have is that we will be managing for the last couple of months of the year day to day, activity to activity to try and avoid violating the 50–50 rule. Relief from that rule would be a huge plus on the management side of the depots.

Mr. BISHOP. Can you tell me the impact of sequestration on the F–35 production?

General WELSH. Yes, sir. I think this year we will probably lose two airplanes, one for sure, probably two Air Force models, the CTOL [Carrier Take Off and Landing] model.

And then, of course, I think there is some impact on the RDT&E [Research, Development, Test, and Evaluation] side, and I think we will lose about \$176 million. That will affect software development, software testing, development of the Block 4 software, which is our initial operational capability.

Mr. BISHOP. Thank you.

Am I making the assumption that the 22-week furlough—you are making the assumption that that will actually suffice, or will there be program cuts in addition to that, specifically at depots?

General WELSH. Sir, I think as the—I think we will lose about \$550 million of work in the depots if we in fact don't introduce that 150 aircraft and the 85 engines.

I think there will also be an associated half-billion to three quarters of a billion [dollars] in contract logistics support break, which will also cause a ripple effect on the small businesses that are the suppliers and support.

Mr. BISHOP. So that will equate to some kind of program loss at the same time?

General WELSH. Yes, sir, I think so.

Mr. BISHOP. Which, once again, goes back to my question about the termination of contracts, whether you are applying for it or not. I appreciate those.

Let me ask just one quick general question here that goes along with this. I look at the panel in front of me, and you guys are the good guys. If this was the first cut the military was supposed to be taking, I really wouldn't have any sympathy for you. But if you go back over the last 6 years, the kinds of reductions that we have had over the last 6 years in the military makes this part unacceptable. And that is what the problem deals with.

Now, I feel comfortable, even some—well, I voted against sequestration. I also voted for the two solutions that we presented in the last session. And that would have been very helpful if you could have taken some of the extra personnel that you have and gone to the Senate and helped them to actually pass one of those bills to solve this particular problem.

But I want you to know at the same time that even though the opening invitation talked about how the divisiveness of the Congress has caused this, you guys have helped cause this as well. You are part of the problem. Mr. Forbes was exactly right. When I kept asking the one-stars, the two-stars, and three-stars, what will be the impact you will have on your facility because of sequestration, there was no answer to it.

You know very well, just as much as anyone, how long it takes Congress to work. You realize you can't start in January and get a solution to a problem that is supposed to be coming up at us. You realize there has to be some kind of lead time. And the silence that was coming out of the Pentagon, the silence that was coming out from the Department, from the military establishment did not help in actually presenting to the American people what this means. And I am sorry to say this, but you owe some of that responsibility. You bear some of that burden, along with us.

And I wish—for heaven's sake, December was too late to start this question. Had you actually been doing something earlier about it, we may have been able to get the momentum that was extremely necessary. And I am sorry, there is a lot of blame to go around if we actually have to have sequestration. Don't think you are going to get out of accepting some part of that blame.

I am out of time. I yield back. Thank you.

The CHAIRMAN. Thank you.

Ms. Hanabusa.

Secretary CARTER. Mr. Chairman, I just need to respond to that.

Let me just start with the Secretary and I. The Secretary and I have been saying for 16 months that sequestration would be devastating.

I was up here on August 1st, which would make a very good diamond right in the middle of the chart that Mr. Forbes showed, say-

ing just exactly what I said today. There was plenty of detail. There were—Congressman, I was talking about furloughs.

And, by the way, in answer to your question, even if we furlough everybody, all 800,000 civilian employees of the Department, for the full time that we are allowed to statutorily, we only get \$5 billion of the \$46 billion that we have to get before the end of the year.

So we have been thinking about this a long time and worried about it for a long time and speaking out about it for a long time.

And the second thing I want to say is, you know, it doesn't take a genius to figure out what the consequences of sequester are. Sequester, it cuts every account one by one. You could see it all coming. So it is not something that is mysterious. It is, by design, something that is very mechanical. And so we knew what was going to happen.

And the last point I would make is that we are now acting as though sequestration is going to happen. I wish we weren't, and I still hope it gets averted, but we have had to start taking some actions now so that it doesn't get worse later.

So the actions that we have started to take over the last couple of months are, as you hear today, harmful. And they will have been completely unnecessary if sequester is averted. But we are starting to take them, we have to take them—

Mr. BISHOP. Mr. Chairman?

Secretary CARTER [continuing]. So that it doesn't get worse.

Mr. BISHOP. Since this was in answer to my question—I did have 11 seconds I yielded back. Can I do 11 seconds right now?

The CHAIRMAN. Sure.

Mr. BISHOP. I am sorry, that answer is not acceptable. The mere fact of the matter is the planning actually came out in 2012. You were not vigilant on this issue early enough. I am sorry. That goes back to it. You were not vigilant on this issue early enough. To stop—to do this only in December of 2012 and then start this type of obvious public campaign does not help us move forward.

It was too long in which people were saying, We hope it won't happen, we don't think it will happen; having the President say, It is not going to happen. A lot of people took you at your word. That word needed to be different much earlier than December of 2012.

Now I will yield back, and I apologize for forcing you to go over. It wasn't my intent.

The CHAIRMAN. Ms. Hanabusa.

Ms. HANABUSA. Thank you, Mr. Chair.

Secretary Carter, on page 4 of your testimony, you make an interesting statement. Basically you say that if you are given the authority to transfer funds or reprogram funds, that the dollars would be sufficient in the base budget, but what you need to do is take them from the investment accounts to the operations and maintenance account.

In addition to that, Admiral Greenert says on page 8 of his testimony that if he has transfer authority as well, he can probably reduce the impact on his O&M.

And on page 7 of General Amos's testimony, he also talks about transfer authority. I am not quite sure where he is going to trans-

fer from, but he has a \$406 million shortfall in terms of operations and maintenance. And we have been having the discussion of operations and maintenance.

So what exactly do you need in terms of the transfer authority that you are asking for?

And I do understand, we are talking about two things. You are talking about a short-term solution for the immediate 2013 to offset the CR as well as the sequestration. And then we are going to discuss, hopefully, if you answer me quickly enough, a long-term issue as well.

So can you tell me, whatever authority you want, will that take care of Admiral Greenert plus General Amos and anyone else who needs this authority?

Secretary CARTER. Well, there are two problems here.

Ms. HANABUSA. Right.

Secretary CARTER. One is the continuing resolution. We very much need and would like to have an appropriations bill, a normal appropriations bill—

Ms. HANABUSA. I agree.

Secretary CARTER [continuing]. That will relieve us from the CR. And no question about that, that will relieve a lot of the pressure that we are talking about today.

With respect to sequester, it is—we only have a few months left, and we have to absorb \$46 billion. What that means is you kind of have to go wherever you can get the money in that period of time. And so, while additional flexibility is always helpful, at this point it doesn't help that much.

Ms. HANABUSA. But the implication of your statement is, what you can assume from your statement is that there is some fund of money that could, if we were—if you were given this flexibility, you could transfer.

And I assume, because of the statement that it provides sufficient total base budgets to DOD but these numbers or these monies are in the wrong bucket, for lack of a better description, that you can do something with this authority, correct?

Secretary CARTER. Yes. If we had a full appropriations bill, the part of the problem that we have been—part of the problem that we have been discussing today, namely that related to the continuing resolution, would be alleviated. Sequester would still remain.

Let me ask Secretary Hale if he wants to add anything to that.

Secretary HALE. The only thing I would add, if we do end up on a continuing resolution, what we would like the appropriators to do to the CR is to eliminate the limit—there is a legal limit on the amount of money we can move; it is \$4 billion on the general fund accounts—to eliminate that for 1 year or, if not, set it at a very high level so we have the opportunity to move this money.

Ms. HANABUSA. Okay.

The other question—and, by the way, all the gentlemen to your left signed it, basically, in that letter of January 14th to the chair.

The other question is sort of following up on what Ranking Member Smith was talking about, and that is the \$487 billion. And thank you for clarifying. I always wondered what happened to Secretary Gates when \$100 billion or \$200 billion, part of it being rein-

vested—and you seem to say that that is also in the account. So I think we are talking about whether you are taking it from future spending or not. You are talking about maybe \$687 billion that you believe that the DOD has agreed to.

Now, my question is, where and how is that money accounted for? I mean, we are saying you are going to do—am I to assume that the assumption is you are doing \$487 billion in this period of time, taking your 50 percent of the \$1.2 trillion, plus taking the budget cap, which is also part of the Budget Control Act, and Secretary Gates's \$200 billion on top of that? Or are you fudging—I am not saying it in a negative way—are you fudging the \$487 [billion] and the \$200 billion in that process?

And if you don't have enough time, I will ask the chair to get it in writing anyway.

Secretary CARTER. No. And we will provide it in writing, a detailed racking of it.

[The information referred to can be found in the Appendix on page 145.]

Secretary CARTER. But, no, it is not double counting.

Under Secretary Gates, we made major adjustments in our budget plans. And then again with the \$487 [billion], those are distinct and both very—very major.

And I just want to repeat something that I think General Dempsey and General Odierno said already, which is we are just on the—we are just beginning to make that big move represented by the 487 and the Gates cuts before that, the huge strategic adjustment from the era of Iraq and Afghanistan to the era that is going to define our security future. So we have laid in those plans, but we have to actually carry them out. They are challenging managerially, they are challenging budgetarily. They are challenging for everybody at this table actually to carry out, and we are just embarking on them.

And that is why, as we try to make this historic adjustment with \$487-plus billion cut, to have on top of that this turmoil associated with the CR and the sequestration just makes it doubly difficult. We are happy to do the first part, to make the post-Iraq/Afghanistan adjustment, but it is almost impossible to do it in this environment of uncertainty and turmoil.

The CHAIRMAN. Do you want to change that statement that you are happy to do the first part?

Secretary CARTER. Yes, I do. I am not happy to do it.

The CHAIRMAN. You can survive the first part.

Secretary CARTER. Yes. And we are committed to making that work. But it is awfully damn hard when you have seen all these—

The CHAIRMAN. Thank you.

Mr. LoBiondo.

Mr. LoBIONDO. Thank you, Mr. Chairman.

Secretary Carter, current law allows OMB [Office of Management and Budget] to reorder the sequester once it takes effect, proposing an alternative budget to allocate the cuts. Congress would have to pass it, but the President is already authorized to propose a framework that would provide more flexibility to all of you.

However, at the hearing you attended last August with the Acting OMB Director, he stated in response to a question for the record that the Administration would not propose an alternative budget to grant the military more flexibility in how it allocates the cuts.

So, given the current circumstances and the concerns that we all have of all of you, the chiefs, has senior leadership at DOD re-engaged with the White House on this subject to request the President to take advantage of his current authorities?

Secretary CARTER. I am going to let Secretary Hale respond about what exactly the law provides. But my understanding is that to amend the provisions of sequester in the Budget Control Act and the laws that precede it would take a law.

And the larger point I would want to make is that we really need this cloud of sequestration and uncertainty dispelled. It hangs over our head. Even if you move it a little bit toward the horizon, it is still pretty harmful to us. So I just have to say that we need, once and for all—

Mr. LOBIONDO. Well, excuse me, Mr. Secretary. We all know that it is a cloud, and we all want it to be fixed. But in this real world that we are working in, it may not be. So the next best thing may be to give you the flexibility so that you can manage better what is a horrible situation.

And with all due respect, sir, you did not answer my question.

Secretary CARTER. I am sorry. I see where you are getting to now, so let me say something and then ask Secretary Hale to say something.

Yes, more flexibility is good. I have to say, though—and I made this point earlier—at this point—that particularly applies to the continuing resolution, where we would love to have an appropriations bill. At this late date in the year, any additional flexibility with respect to sequestration is less helpful than it may seem, simply because we have to go wherever the money is at this point. So we don't have—

Mr. LOBIONDO. Excuse me—

Secretary CARTER [continuing]. A lot of flexibility—

Mr. LOBIONDO. Excuse me again, sir.

Secretary CARTER [continuing]. About where we find—

Mr. LOBIONDO. I apologize for interrupting you, I really do, but maybe I wasn't clear. I am anxious to know if you, the senior leadership of DOD, will reengage the White House to use their current authorities in a worst-case scenario to help us minimize what is going to be a horrible situation. So I will take it that you are not going to reengage the White House to do this.

Secretary CARTER. Let me ask Secretary Hale. I am not sure what the law provides—

Secretary HALE. I am not aware of any authorities the President has to change this law.

Mr. LOBIONDO. Well, we will make sure we give you chapter and verse. I could be—

Secretary HALE. All right, give me chapter and verse, because you passed the law.

Mr. LOBIONDO [continuing]. Wrong, but I understand that there is an allowance for that. The President can propose; we must pass

it. But it would give you the flexibility. But the President needs to propose it.

Secretary HALE. Well, you could introduce it, I guess.

Secretary CARTER. Yes, if you want to change the law—

Mr. LOBIONDO. Well, the President needs to propose it, sir.

Secretary HALE. If you want to change the law, you could.

Mr. LOBIONDO. And if DOD senior leadership will engage him, it will be helpful to get a proposal that we can then look at, is what we are saying.

Secretary HALE. I would just like to underscore what Secretary Carter said. At this point in the year, with 5 months gone, even with flexibility, to get \$46 billion out, we will have to go guns blazing at all unobligated funds.

Mr. LOBIONDO. I understand that.

Secretary HALE. Flexibility isn't going to help very much.

Mr. LOBIONDO. Okay. I understand that. So I will take that as that senior DOD leadership will not reengage the White House on this issue.

Secretary HALE. We will do anything we can to try to help, but that—

Mr. LOBIONDO. Okay. Thank you.

Secretary HALE [continuing]. I don't think would solve the problem.

Mr. LOBIONDO. I yield back, Mr. Chairman.

The CHAIRMAN. Ms. Duckworth.

Ms. DUCKWORTH. Thank you, Mr. Chairman.

I have two questions. One is for Dr. Carter.

And, Dr. Carter, this might seem a little micro, and if you can't answer this right away, no problem. If you can't answer this right away, I would ask the chairman to allow you to respond in writing.

In the face of sequestration, I am somewhat concerned when I hear that DOD is still considering expenditures such as the proposed DISA [Defense Information Systems Agency] building of a brand-new, multilevel—a multiprotocol label switching network, MPLS network, that would basically take over the entire IT [information technology] network, requiring major capital investment, not available for fully functioning capability for at least 5 years, significant degradation in security capabilities from those that are being provided already by commercial network providers who currently provide it for financial services industries, for Wall Street and the like.

So why, when faced with sequestration, would DISA seek to build an entirely new network with degraded capabilities, less security, and significantly higher costs?

Secretary CARTER. If I may, I would like to get back to you on that, in specificity on that matter. It is a very good question. We have to ask why we are doing everything that we are doing under this circumstance. A very fair question. I will make sure I get you a good answer.

[The information referred to can be found in the Appendix on page 146.]

Ms. DUCKWORTH. Thank you, Mr. Carter.

My next question is for General Grass.

You spoke of maintaining an operational force. And I am concerned about the resources that the National Guard is going to have access to under sequestration for that, to maintain that operational force. You perform, for example, 95 percent of all domestic missions. And I don't think people generally are as aware of the range of missions that you provide—everything from the civil support teams that provide nuclear, biological, and chemical sweeps for the inauguration to the regular, you know, natural disaster recovery.

I, as part of the Illinois National Guard, flew the oldest flying Black Hawk in the United States Army inventory, and it is still flying missions in Kuwait today. It was the fourth one delivered, 1978 model. I understand that 400, over 400, of your Black Hawks are alpha models, not set even before sequestration to be replaced until fiscal year 2023 because we will do the Active Duty forces first before we come to the National Guard.

Could you discuss, General Grass, sort of the range of missions that you are providing and what sequestration will do for you if you are not getting the ability to modernize your equipment and train some of these very specialized mission—troops that are performing these missions?

General GRASS. Thank you for the question, Congresswoman.

Of course, being a first responder in the homeland from a military perspective, we have to always be ready to support those Governors and in surrounding States. Just like today in the Northeast, we have three States that have come to the aid of Connecticut to help out with the storms.

But I think the problem we are going to get into, as our equipment degrades and our pilots can't get into schools and can't continue to maintain their proficiency, it will take longer and longer to respond into a timely disaster, and we will have to come from further and further.

And the other thing that I am very concerned about is, we have been working very closely with FEMA [Federal Emergency Management Agency] and NORTHCOM [U.S. Northern Command] to look at responding to complex catastrophes across the Department of Defense and how we might bring the forces of the Guard, as well as any other forces that might be available, to respond to that scenario. And even the planning we are doing now for that, that response would be at risk, no doubt.

From a National Guard perspective, I think the investment we make every day—and we work very closely with the Army and Air Force. And our procurement comes through the Army and Air Force, for the most part. We do have some under the NGRE [National Guard and Reserve Equipment] account that we do specific dual-purpose equipment. But for the most part, all the training and equipment and the procurement and investment accounts that we rely on, the Army and Air Force are just critical to be able to do the homeland mission.

Ms. DUCKWORTH. Thank you, General Grass.

And as a Democrat, I am going to talk a little bit about the States' rights and my concern that Governors do maintain the ability to access the troops under State Active Duty in Title 32, you know, when you have to switch over to Title 32 for those troops.

Can you talk a little bit about your ability under sequestration and some of these cuts to respond quickly, especially when you have the State agreements where one State will come to the aid of another, and how you will be able to maintain the readiness of those forces?

General GRASS. Yes, Congresswoman.

If I look at just in the last 3 days, I mentioned the three States that responded. During Hurricane Sandy, and which is more of a regionally based contingency that we responded to, if you look at all the States coming in, most of that was done in State-to-State agreement. Even last year, your State of Illinois provided helicopters to the State of Vermont during Hurricane Irene.

And what we try to do at the National Guard Bureau is identify where that equipment is and facilitate the move quickly. Again, sequestration will definitely degrade our ability to do that.

The CHAIRMAN. The gentlelady's time has expired.

Mr. Turner.

Mr. TURNER. Thank you, Mr. Chairman.

I want to thank all of you for being here. I have a very high regard for each of you and what you do.

General Dempsey, I have a particular high regard for you. I appreciate your statement that, when looking at budgetary issues, you have to consider what are we going to ask the military to do. You said that you could—that the DOD could not give another dollar if you are going to be doing what you are doing today. And I appreciate that very strong statement. It is very helpful.

It is my understanding, General Dempsey, that General Odierno, Admiral Greenert, General Welsh, General Amos, General Grass, and yourself, General Dempsey, have not been asked to do less yet. Is that correct; you have not been asked to do less?

General DEMPSEY. No.

Mr. TURNER. Thank you.

Now, I have a slide. If we could put the slide up?

This is the President's proposal. I want to point out—Mr. Carter, you had said a long list of what this is not because of. It is not because of the peace dividend, it is not because of technology. It is also not because of my support; I voted “no” on sequestration.

But we need to talk about what it really is because of. It is because the President—we know it was his idea, his plan, and his failure of leadership.

Now, this is the President's proposal on the answer of sequestration. Before I get to that, I want to point out that the House passed H.R. 5652, H.R. 6365, H.R. 6684. Mr. Carter, I have a file for you to take with you so the next time you see the President—since I had the opportunity to sit in the State of the Union where he chanted at Congress to take a vote, I would like you to communicate to him our request that he asked for a vote on these three bills that have been passed by the House, have been sitting over at the Senate, that would take not a dollar from DOD, as General Dempsey said. We passed three plans that not a dollar would be asked of DOD.

Now, let's go back to the President's proposal, if we could put that up.

The President actually proposed cuts of \$250 billion in his sequestration solution. Two hundred fifty billion dollars you can see would be letting half of sequestration go in. Now, he had campaigned saying that he would not let sequestration happen. He didn't say he would let half of sequestration happen.

So, Mr. Carter, I have a really simple question for you. Since we have General Dempsey and the other generals on the record that not a dollar more can be taken out of DOD without them doing less, and we have passed three bills that wouldn't take a dollar out of DOD, and the President's proposal is \$250 billion that would come out of DOD, is \$250 billion greater than a dollar? It is a really simple math question.

Secretary CARTER. Yes, of course it is.

Mr. TURNER. Thank you. So we would appreciate if the President would ask the Senate to take a vote on our three proposals.

Next, General Dempsey, to go to the scope of you not being asked to do less, one of the things that we are always concerned about is what is the threat, what is it that we are trying to respond to, so we can make certain you are not asked to do less.

Last December, the President threatened to veto, fiscal year 2013, the National Defense Authorization Act, because that legislation would have required the President to certify prior to any U.S. nuclear force reduction that Russia is in compliance with its arms-control obligations to the United States.

General Dempsey, can you tell me today if Russia is in compliance with its nuclear arms-control obligations to the United States? And those include the Comprehensive Nuclear Test Ban Treaty, New START [Strategic Arms Reduction Treaty], and the Intermediate-Range Nuclear Forces Treaty, and the Moscow Treaty.

And please don't say that the answer is classified. How we would know and how they are not in compliance certainly would be classified, but whether or not they are in compliance is not.

General Dempsey, are they in compliance?

General DEMPSEY. Well, I would like to refresh my understanding, so I will take that for the record.

[The information referred to can be found in the Appendix on page 145.]

Mr. TURNER. Good. Thank you, General.

Well, going back to the President's proposal, the President has proposed cutting \$250 billion out of DOD over the next 10 years. We have three proposals on the table that would cut nothing. We have General Dempsey saying that you can't give another dollar without the military doing less.

Mr. Carter, since I am assuming that the President ran this by you, that you could tell us what exactly the President is going to ask DOD to do less of under his proposal of cutting this from the DOD's budget.

Secretary CARTER. Congressman, I don't know where the proposal is that is reflected in your chart, and the President hasn't indicated to us in the Department any additional—

Mr. TURNER. Okay. Mr. Carter, I just want to thank you for acknowledging that because Mr. Carney, yesterday I think it was, specifically acknowledged that over the next 9 years the President's proposal would cut \$250 billion from defense. So I hope that you

do get in touch with the White House, since Carney is saying that the President's proposal would do that, and ask what less he would have you do.

And I will tell you, it is very important to me because I have Wright-Patterson Air Force Base in my community, which is why I voted "no" against this. There are tens of thousands of people who are critical to our national security, as all of you are, and this needs to be averted. And the President needs to take action, and that action isn't cutting \$250 billion out. It needs to be asking for a vote on the three bills that have been passed by the House.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

And that plan that Mr. Turner put up there was given to us by the President last week after months of saying he would veto any short-term plan, indicating that he would veto these plans if, in fact, the Senate had taken them up. But it put us in a very difficult position.

And basically what he does is he cuts the \$500 billion from defense, the \$500 billion-plus from nondiscretionary that are going to be now over 10 years by law, he cuts that in half. And he makes up the difference by increasing another \$600 billion—\$500 billion, \$600 billion in taxes.

Mr. Enyart.

Mr. ENYART. Thank you, Mr. Chairman.

Gentlemen, I am a newcomer here. I am a freshman. And I want to say that as a member of the new freshman class, I am frankly appalled at the questioning that you have endured today, the political finger-pointing and blame game that you have had to sit here and listen to.

There have been some substantive questions, and I intend to ask you substantive questions. But before I do that, as a member of the 70 or so freshmen who intend to work in a bipartisan manner to resolve some of these issues that are facing us, I want to apologize to you for that political blame game that you have sat through this morning.

Now, General Dempsey, I would like to ask you, please, in my past life I had occasion to frequently visit with senior NATO [North Atlantic Treaty Organization] commanders, general officers, MODs [Ministry of Defence]. And invariably what I would hear from them is that the United States is the indispensable partner, largely because of our tanker refueling, General Welsh, because of our intel capabilities, and all of those other things that we could bring—not necessarily the boots on the ground, but all of those, I will call them back-office things that we could bring to the fight.

And those NATO and—because I dealt mostly with NATO, but I am sure also our Asia partners rely on us to be that indispensable partner in securing peace and security through the world.

What are you hearing today from our NATO partners, from our Asia partners? What concerns have they expressed to you about what they are viewing today with this sequester threat?

General DEMPSEY. Well, they clearly are concerned, although the most interesting comment was from a British colleague who said, you know, you are one big budget deal away from regaining your mojo. And I think that is right, actually.

You know, look, what we are talking about today is degradation over time. This won't be a cliff. But some of the effects are already being felt, as you have heard here today. So our NATO partners are concerned, as our Asian partners are. You know, frankly, they can't imagine we won't figure this out.

And where they are really concerned is in the capabilities that we bring uniquely—tankers, ISR [Intelligence, Surveillance, and Reconnaissance], you know, the things that they simply can't replicate. But just to let you know, I also push on them, that they have to do more, as well, because some of them are underresourcing defense on their side.

Mr. ENYART. Thank you, General.

General Welsh, could you tell me, what impact will the cancellation of the third- and fourth-quarter aircraft depot maintenance have on the Air Force's global mobility and long-range capabilities for Air Force tankers and for airlift capacity?

General WELSH. Yes, sir. Thanks for the question.

The last time this happened and the depot workforce was affected this way was in the early 1990s after Operation Desert Shield and Desert Storm. It took, according to the people who were managing the depots at that time, 2 to 3 years for the workforce to recover and become a vibrant, fully productive workforce in the depots.

The longer problem that we would face is going to be the backlog of aircraft going through the depot and the work that we can't surge to make up quickly because we have—capacity is capacity. And making up is—the longer this continues, the longer time frame it will take to recapture the bow wave of work that was not accomplished this year.

Mr. ENYART. Thank you, General.

General Dempsey, as the Chairman of the Joint Chiefs, I would like to refer this question to you. Now, I realize that this is not a direct impact on DOD, but how will cuts to other Government programs outside of DOD impact the military and their families that comprise all the Services? And I am thinking such cuts as the Veterans Administration or other cuts. How is that going to impact your recruiting, your long-term stability of the force?

General DEMPSEY. Well, you know, Congressman, we are part of the Nation's fabric, so our men and women live across America. And so—and take advantage of not only the unique things we provide them but also the things that exist out in their communities, whether it is schools or child care or whatever it happens to be. And so, to the extent that America writ large is affected, we will be affected.

That same thing is true, by the way, in things like information technology. We talk about cyber on occasion. We are vulnerable—even though I can protect the dot-mil, we can protect the dot-mil domain in cyber, to the extent that the rest of the architecture is vulnerable, we are vulnerable. I mean, look, we are part of the landscape of America, and if America is affected, we are affected.

Mr. ENYART. Thank you.

The CHAIRMAN. The gentleman's time has expired.

Mr. Rogers.

Mr. ROGERS. Thank you, Mr. Chairman.

I appreciate all of you all taking the time to come here and describe in such vivid detail the consequences of sequestration. I think most of the members of this committee were aware, but the country needs to know, and this is going a long way to helping that end.

General Dempsey, you all have described pretty clearly what is going to happen, and you have told us today. Have you had that conversation with the President?

General DEMPSEY. I have, Congressman.

Mr. ROGERS. And does he seem to appreciate it? Because last night in his speech he seemed to be in denial that we have a problem. He didn't make any proposals as to how to deal with sequestration.

General DEMPSEY. I can't speak for his plan going forward. I can simply tell you that we have had that conversation, and he has expressed concerns in his role as Commander in Chief.

Mr. ROGERS. But he has not told you that he expects to be able to stop this?

General DEMPSEY. He assured me he is working on it.

Mr. ROGERS. Yeah, well, he hasn't told us about it. You know, the chairman has offered legislation to put this off. There are initiatives, but we have got to have help from the other end of Pennsylvania Avenue to remedy this.

Ash Carter—I know he had to leave—had sent out a memo to you all about proposed ways of dealing with sequestration. It scared the heck out of folks at the Anniston Army Depot in my district, for obvious reasons.

General Odierno, based on the notification timelines, when will the first date of DOD furloughs occur?

General ODIERNO. We believe that about 45 days required notification, and so they would begin quickly after that.

Mr. ROGERS. And what level the chain of command is that trigger pulled?

General ODIERNO. That will be done by the Secretary with guidance from myself.

Mr. ROGERS. And when will that formal notification to Congress come?

General ODIERNO. It is going to come very shortly.

Mr. ROGERS. Okay.

How does Mr. Carter's recommendations to significantly curtail unit training and readiness impact the projected organic industrial bases workload for each military service in the aggregate and for each center of industrial and technical excellence in fiscal 2014?

General ODIERNO. Yeah, what it does, obviously it creates a backlog of equipment that will be in all of our depots. As I stated before, the depots have become a critical part of what we do. And so what we have done by delaying it, it will require backlogs and it will require us longer and longer to get that equipment out.

Mr. ROGERS. Again, I represent the Anniston Army Depot. As you know, we call it the pit crew for the American warfighter. We have a backlog there. Do you know how much of a backlog? That has already been paid for.

General ODIERNO. I don't. I don't know the exact number, but I can get back with you on that.

Mr. ROGERS. I would appreciate that.

General Dempsey, you made the comment a few minutes ago in response to my predecessor's question about degradation over time, that the sequestration is not going to be a cliff, it is going to be degradation over time.

But yet, Ash Carter is recommending and I understand you all have embraced the proposal to cease any additional work going into the depot systems for the third and fourth quarter of this year. If it is not a cliff, why is that action being taken?

General DEMPSEY. What we are trying to do is stretch readiness as far as we can stretch it. I mean, the decision not to deploy the *Truman* is probably the best case, but we are trying to stretch the readiness dollars as far as they will go. And so the actions we are taking, we hope that some of those will be reversible, but we are in the business of stretching readiness right now.

Mr. ROGERS. Well, see, that is my concern, when you talk about ceasing. You know, I have talked with the colonel in charge of the depot, and he has told me he is taking no additional tanks into the system after the 15th of next month. I think it is the 15th of next month. That sounds like a cliff to me.

General DEMPSEY. Well, I happen to be a tanker, so I think the answer on the tanks is probably that these gentlemen to my left are prioritizing—as they stretch, they are prioritizing. And in the near term we are not using tanks in Afghanistan. It doesn't mean we will never use them again, but we are probably prioritizing those things that we think we will use.

Mr. ROGERS. Okay.

General ODIERNO. If I could, Congressman——

Mr. ROGERS. Certainly.

General ODIERNO [continuing]. Give you—I do have some data.

From February to September, it will be about \$294 million worth of work that is planned in Anniston. There will be about a \$131.8 million carryover into 2014 in Anniston Army Depot.

Mr. ROGERS. Okay. That makes me think that we are not going to need to close it down third and fourth quarter.

General ODIERNO. No. No. But—no, we are not going to close it down. We will just reduce.

Mr. ROGERS. Man-hours.

General ODIERNO. Man-hours.

Mr. ROGERS. Great.

General Dempsey, last question. As you know, President Obama did not request any funding for the Israeli Iron Dome missile defense system in 2012. And with the CR, that means that there is no funding going to be in the 2013 fiscal year.

Can you commit that you are going to prioritize making sure that funding is provided to keep Iron Dome——

General DEMPSEY. Well, what I can commit to is what I can control, and that is my recommendation that we continue to support the Israelis and their acquisition of Iron Dome. But, you know, the decision will be a policy decision made by my wingman, who is not here right now.

Mr. ROGERS. So the reprogramming of any money to cover that will be done by the Secretary, not you?

General DEMPSEY. It will be approved by the Secretary, with our recommendation.

Mr. ROGERS. Okay. And your recommendation will be to do that?

General DEMPSEY. It will.

Mr. ROGERS. Thank you, sir.

Thank you all for your service.

The CHAIRMAN. Thank you.

Mr. Gallego.

Mr. GALLEGO. Thank you, Mr. Chairman. I would like to yield 15 seconds of my time, please, to the ranking member.

Mr. SMITH. Thank you, Mr. Chairman.

I, by and large, agree with Representative Enyart that we don't need to get into the blame game and get overly political here and certainly put you in position of commenting on the politics of this. But there are a couple things in the record that I think need to be clarified.

The President has made numerous proposals to stop sequestration. In the lead-up to January 1st, in particular, he made countless proposals, including cutting mandatory programs. He put the chained CPI [Consumer Price Index] out there, saying that we should cut Social Security and Medicare to help make up the money.

So there is plenty of room to work on this on both sides. It is not one side has had an idea and the other side hasn't. That is first of all.

Second of all, all of the Republican proposals to deal with this have included substantial cuts to the civilian workforce. Now, I realize that some of my colleagues seem to think that the civilian workforce does absolutely nothing, but all of you sitting up here realize that is not the case. If you cut the civilian workforce within the Department of Defense, you are cutting defense.

Now, maybe that is okay, but I will also tell you—I will answer the question, since Ash Carter isn't here to answer it—cuts to civilian workforce are more than one dollar. Okay? So there are cuts on the table, and those are things that we have to consider.

And, lastly, the box that we are in here, no one really wants to cut defense by this amount, but no one also wants to have a trillion-dollar deficit. And unless we are willing to raise taxes and cut mandatory programs, we wind up stuffed into that corner.

Now, all of that has plenty of room for bipartisan effort to work together, but I don't think it is helpful to say it is just all one person's fault. This is a collective responsibility. And I will close by thanking the chairman for his opening remarks, which very clearly acknowledge that.

Thank you. I yield.

Mr. GALLEGO. Thank you.

General, I, too, join Mr. Enyart. I want to thank you for your passionate defense and your candid comments on behalf of our brothers and sisters in uniform. Because my guest at the State of the Union last night was a wounded warrior from El Paso, and I wonder what he would think if he was here to listen to this testimony this morning.

I am somewhat disappointed in the he-said/she-said and even the Bob-Woodward-said. I have just got here, and so I don't know. I

know that we have to find our way out of this, and I know that we have to find our way forward. And I know that this is too important to mess up.

And I am curious, General Welsh, for example, Laughlin Air Force Base in Del Rio, which has more flying time and more training, it is one of your best bases, and they have a significant civilian workforce. Have you all analyzed what the economic impact would be on the local area of the sequester cuts? And what happens—I mean, I know what happens on the military side, but I think it is so important also to talk about the economic side. Because in many places you are a key component of the local economy.

General WELSH. Yes, sir. We have not completed an analysis of every base and the impact on the local economy of furloughing civilian workforce.

Laughlin Air Force Base is a great example for another reason, though, because we do have a civilian workforce at Laughlin that does the aircraft maintenance, scheduling, and lots of support for the training activity there. So while we plan to start drawing back all of our advanced flying training courses on the 1st of April, we will continue our basic flying courses to produce pilots at Laughlin and other training bases as long as we can. We hope to make it as long as August, early September.

The problem is that, as we furlough civilian workforce, we won't be able to fly the same number of sorties, we won't fix airplanes as quickly, and those dates will start to slide to the left, further impacting our ability to train even our basic pilots. And that has a repercussion that will take us years to recover from.

Mr. GALLEGO. And the other question—I have an article from the *El Paso Times*, for example, that Fort Bliss is bracing for a 30-percent cut. I mean, what happens at Fort Bliss if Fort Bliss takes a 30-percent cut?

General ODIERNO. I am not sure what the 30 percent means; I think it is from base operations. And so what that means is there will be a reduction in services to our soldiers and our families. It could be anything from gate guards to cutting morale, welfare, recreation programs to reducing some other key programs that are there for recreation, as well as counseling and other things that occur.

We are trying to fence those things that are most important to our families and to our soldiers, but that 30-percent reduction is significant to any installation. That is across all installations, by the way, not just Fort Bliss.

Mr. GALLEGO. Well, I want to tell you that I do not believe that you are part of the problem. I look forward to working with you toward a solution.

And, frankly, I served with a guy who I got along with very well when he was the Governor of Texas who later became President of the United States. And one of his mantras was always personal responsibility. And it is a mantra that I believe in.

And it is interesting to me to learn today that it is your job to tell us about the consequences of our own actions. Because it seems to me that each one of these decisions has been a law passed by the Congress which has set us on the course that we are at today. And so the idea that you would tell us—have to tell us about the

consequences of our own actions doesn't seem in line with this concept of personal responsibility.

Thank you for your testimony.

General DEMPSEY. Mr. Chairman, could I just take 15 seconds?

The CHAIRMAN. Yes.

General DEMPSEY. The first chairman, Omar Bradley, in 1948, in his memoirs said the biggest mistake he ever made was—he said he knew that the Army was on a path and wouldn't be able to fight its way out of a paper bag in the early 1950s. In his memoirs he said that is the greatest mistake he ever made. We are here today to make sure we don't make that same mistake.

The CHAIRMAN. Thank you.

Mr. Gallego, before you got here, we were also engaged in this problem. If you could get staff to brief you on a hearing that we held a year ago September. We held five hearings before that on the impact on the military, sequestration. Then we held one on the impact on the economy of the country, and there was some very good information there. And that did break down the loss of jobs and basically said this would take us into another recession.

And to respond to Mr. Smith's comment, I introduced a bill last Congress and I introduced it again last week that does cut the civilian workforce, not because I think that they don't do a good job and they are necessary. My father-in-law spent his entire adult life working for the civilian Navy, starting with trying to get torpedos to explode when they hit a ship rather than just bounce off. So I have great respect for the civilian side of the equation also.

But what my bill did was cut the workforce by 10 percent through attrition. It didn't require furloughs; it didn't require firing people, laying people off. It was over a 10-year period. It did just pay for sequestration the first year, both nondefense and the defense side. And my thought and my hope was that it would push it after the election, give us some time to bring some real thought to bear on the issue.

So far, we have ignored that solution and, as a consequence, probably going to have a lot of people now furloughed and people lose their jobs. And my legislation would have eliminated that. Unfortunately, it didn't happen.

Mr. Franks.

Mr. GALLEGO. Thank you, Mr. Chairman.

Mr. FRANKS. Well, thank you, Mr. Chairman.

And let me add my name to the list of all those who have expressed respect and gratitude to those of you in this panel today. I remind myself every day that my greatest hope is my children being able to walk in the sunlight of freedom. If they do that, it will be in large part because of those of you that have given your lives to the cause of human freedom. And I appreciate it very deeply.

I suppose it is in that backdrop that I am bewildered that the national command structure at the highest echelons, even your Commander in Chief, have placed all of you in the untenable position of having to essentially cannibalize the capability and readiness that you oversee in the interest of, understandably, maintaining your commitment and support of those in theater. And it is just an untenable, unfortunate, tragic situation. And I have to express

just a sense of real sadness that we have all put you in that position.

Having said that, you know, oftentimes in a predictive environment we don't know what we are going to face. Right now we look at North Korea's advances and the potential of an emerging nuclear Iran. Those are all things that we see, but we don't know exactly all the things we will see. And it is especially challenging, in my mind, when we don't allow for additional room for unforeseen possibilities. And the only thing I know to do in that situation is to make sure that we have a robust force that is comprehensive in nature.

So with that in mind, I am hoping—I am hoping that the President of the United States will, before this sequester takes place, sit down with the Congress still—still—and do what we can to prevent the worst of this situation from occurring. And I think the only way I know to motivate that is to once again do like we have done today, to try to emphasize the seriousness of it.

So, General Welsh, my first question is to you. You last week issued Air Force Space Command budget actions that you will have to take if the sequester kicks in on March 1st. In the memo, as a point of action you stated that it will, “reduce some missile warning and space surveillance of 24/7 operations to 8-hour-a-day operations.”

Now, you know, given that a nuclear missile can ruin our whole day, that seems like an astonishing action. And it seems important to allow you the opportunity to demonstrate the pressure and the realities that you face that would press you to such a decision.

General WELSH. Yes, sir. One of the benefits of our space operations funding streams is that there is a little flexibility across the set of sensors that provides both space warning, missile warning, as well as space surveillance.

And so what our Air Force Space Commander has decided to do is to try and concentrate the 9-percent, nominal 9-percent sequestration cut in secondary modes of radars that allow us to continue the missile warning mission for the United States so that we are not at risk of not having warning of an incoming missile from our ground-based radar sites as well as the second phenomenology, the satellites in space that help contribute to that, and instead shut down modes of some of the ground-based radars that allow them to then—that are redundant capabilities so we don't have as much redundancy now in the system and we don't have as much capacity to track objects in orbit.

And so that is where he has taken that cut in order to save money to put against the critical things that those radars do.

Mr. FRANKS. Well, thank you, sir.

Let me direct my last question to General Dempsey.

General Dempsey, last night, President Obama called for even more cuts to our nuclear arsenal. Ashton Carter said something recently, that the Nation's nuclear deterrent is, “the last thing that you want to do serious damage to.” And I find myself in full agreement with that.

But would you agree that the sequester will have pressure on reducing our strategic weapons? And would that weaken our strategic nuclear deterrent?

General DEMPSEY. I am not sure there is a cause-and-effect relationship there, but I will say that, as we look to the future—again, in my capacity, what I am responsible for in terms of military advice—I would say, as I have, that we need to preserve the triad, we need to ensure that the stockpile is well maintained, and we need to—if we were to take any further reductions, it would be in the context of negotiations, notably with Russia.

Mr. FRANKS. Thank you, Mr. Chairman.

Thank you, gentlemen.

The CHAIRMAN. Thank you.

It looks like we are going to be called in to vote in 15, 20 minutes possibly. We have nine Members left that haven't had the chance to ask their questions, so we will try to move it along as quickly as we can.

Mrs. Davis.

Mrs. DAVIS. Thank you, Mr. Chairman.

And thank you to all of you. I know how difficult all the choices are that we have before us, and I would certainly hope that, as we continue to move forward, that we are open to some of that negotiation. Because we know that, you know, there are difficult choices, and we don't want to be necessarily shielding special interest groups who don't need subsidies that they are already receiving. I mean, there are a lot of choices out there; that is just among them. And you are faced every day with these choices, and I know you are trying to make the best ones you can.

I wonder—I know, Secretary—or Admiral Greenert—I am sorry—that you have been dealing with a number of extraordinary cost-cutting measures and trying to do some of those up front and soon. And Secretary Carter has also talked about the fact that we need them to be reversible where possible.

And I am wondering if you could talk a little bit about how you would hope to stop some of the ripple, some of the effects throughout the economy, throughout the civilian force as well, as you make some of those upfront decisions right now that are scaring everybody, of course, and could create some real problems down the line.

How are we thinking about reversing any of those decisions?

Admiral GREENERT. Well, first of all, if we had an appropriations bill, we could then reverse these things that we laid out there because we would have the funding. And I will speak to operations and maintenance first.

Secondarily, if we don't have an appropriations bill, if we had the ability to reprogram money, then the kinds of things which are now near-term could be, if you will, reversed. As we lay these out, we start, in this case, the third quarter through the fourth quarter. At any given time during that period, if we can reprogram money, get a bill or find unobligated funds, we will then put them where—invest that where it can best be—

Mrs. DAVIS. Uh-huh. Are there some areas that this is more problematic than others? Obviously, I mean, one can anticipate if you are cutting, you know, contracts, that is very difficult to do. But are there some that are just, you know, not reversible, actually?

Admiral GREENERT. Once we do not do a ship availability in a private shipyard, the ship goes back into its rotation, if you will.

Someone else is up next. That is not reversible. Once that contract is cancelled, number one, the contractor might be on to something else; number two, again, we have to do the ship. Same applies to aircraft maintenance, as well.

Mrs. DAVIS. Uh-huh. Is there an opportunity to spread out that impact? We had done some of that with Hurricane Katrina, trying to go to different shipyards. Is that a possibility at all?

Admiral GREENERT. It is a possibility. Step one is, we need the agility with the money, if you will, other options with funding.

Mrs. DAVIS. Uh-huh. Thank you.

If I could turn just quickly to military personnel, as well, I mean, the President has said that military personnel will not be immediately affected by sequestration. And yet we know that, with the exception of current levels of pay, basically, that there is a way that they would be affected. And I am wondering how we might be making some of those decisions of protecting some programs over others.

Admiral GREENERT. Well, for me, first, their military pay itself is protected. Of course—

Mrs. DAVIS. Right.

Admiral GREENERT [continuing]. It is exempted. But I worry about the furlough of civilian employees who support us: fleet family service centers in the world I live in; childcare centers; the, of course, sexual assault advocates of sexual assault prevention. All of those we worry about.

And I am working very hard and I have directed that we will not unfund, if you will, for these savings our programs, our family readiness programs. We will protect those. And so I am watching that very closely.

Mrs. DAVIS. Uh-huh.

Did anybody else want to comment on that in terms of other services?

General AMOS. Congresswoman, just like Admiral Greenert, our military force structure and pay structure, once we get down to the 182 [182,000] and all the Services adjust to their new levels, that is hedged off. But I would like to just reemphasize what Admiral Greenert is talking about, is when we sat down and looked at our O&M shortfall this year, for CR it is \$406 million, but you add it all up, sequestration, it is about \$1.8 billion, \$1.9 billion O&M this year, just for 2013, for my Service.

As we have prioritized where we are going to try to get that money to pay those O&M bills, that is readiness, it is training, and all the things we have talked about here today. At the very top of the tier—in other words, the last fruit; it is like the apples on the very top of the tree, they are the very last ones you take—is wounded warrior care, it is family readiness programs, it is the 42 brand-new sexual assault response coordinators that we have hired, the other 42 victim assault—victim advocates that we have hired, it is our highly qualified experts to help in the prosecution.

So it is not—I am not throwing, you know, the red flag down, but I am just saying at the very top of the tree are these things that are really sacred to all our services, and they will eventually be impacted. To the degree, I am not sure, but we are going to be work-

ing real hard to try to minimize that. But I just wanted to be honest with you.

Mrs. DAVIS. Thank you. I appreciate that, General, because those are some of the choices that the Congress has to make, as well, in terms of where we put our great emphasis.

The CHAIRMAN. Thank you.

Mrs. DAVIS. Thank you.

The CHAIRMAN. The gentlelady's time has expired.

Mr. Wittman.

Mr. WITTMAN. Thank you, Mr. Chairman.

Gentlemen, thank you so much for—

The CHAIRMAN. Could the gentleman suspend for just a second?

We are not, obviously, going to have time, and some of these Members, I know, have been here the whole hearing, as have you. We are not going to have time for all of their questions. The vote has already started. I will monitor it and run it as long as we can.

But those of you who don't get to ask, if you will get your questions to the staff. I would ask you, gentlemen, if you would answer them for the record. Thank you.

Mr. Wittman.

Mr. WITTMAN. Thank you, Mr. Chairman.

Gentlemen, again, thank you so much for your service to our Nation. I know it is a very challenging time.

I want to go directly to Admiral Greenert and to General Amos. This picture was in *The Washington Times* just this week, and I think it is a snapshot of the readiness crisis that we are in. And, gentlemen, this could be part of any of our Services. This could be an air wing on a flight line idle. This could be an airborne battalion without the equipment or the planes to fly to train. This is really a snapshot, and this snapshot just happens to be taken in Norfolk, but it could be in San Diego, it could be in Pearl Harbor, it could be in Everett, it could be in Mayport. It could be at any of our places.

But the thing that concerns me about this is what we see in this picture are five nuclear aircraft carriers. Now, granted, one of those is *Enterprise*, getting ready to be decommissioned. But what we are seeing now is only 10 aircraft carriers available through 2015. We know that the *Theodore Roosevelt* that is across the river is going through a refueling, so it is not available. We have two aircraft carriers that are in need of service, and we have one being decommissioned. Also in this picture are four of our large-deck amphibious assault ships. They are the backbone of our MEUs [Marine Expeditionary Unit].

Now, gentlemen, this picture pretty much sums up, I think, our readiness crisis. And as they say, a picture is worth a thousand words. This picture to me denotes a number of things: number one, great risk. Everyone here on this panel has said it: readiness crisis. I think that is absolutely at the heart of this. It is a decreased capability. Lack of resources, loss of talent, limited response—all those are issues, things that come to mind.

And, gentlemen, I am not here to place any blame. I don't think this is a blame game. But what I want to ask Admiral Greenert and General Amos is, is this picture the future of what we can expect under sequestration, and is this the future, what the American

taxpayer can expect in the next decade for our fleet if sequestration goes into place?

Admiral GREENERT. Yes, it is, because what you have just said, Congressman, is we don't have the Navy where it matters, which is operating forward.

And what you have there is the *Abraham Lincoln* tied up getting ready for overhaul; that is okay. But you don't have the *George Herbert Walker Bush* under way getting ready for her workup. The *Truman* is one of those. And we have discussed *Truman* before; I won't belabor your time. *Enterprise* is decommissioned. And, as you said, *Eisenhower* will leave in due time.

But I am very concerned about the Amphibious Ready Group future, and I spoke to that, especially in 2014, early 2014. We won't have an Amphibious Ready Group where it matters so that she can be ready when it matters. And we know the value of that.

And I will defer now to the Commandant.

General AMOS. Congressman, you are absolutely right, it is. If you remember those new deployments that I referred to earlier, about 2 hours ago, some or perhaps all of them would not have been there. So that is a fact. That could be the future.

Mr. WITTMAN. Uh-huh.

General AMOS. And the last thing I would say is that you have those Amphibious Ready Groups as our Nation's insurance policy. That is what we are; it is an insurance policy. You buy insurance, health—no, life insurance for the unknown. We don't know what is out there. We have already heard our chairman talk about the unstable—the world we live in right now is very dangerous. It is going to be that way for the next two decades.

I am not trying to scare everybody, but you have to have a hedge force such that you can do something when something happens to buy time for our national leaders.

General ODIERNO. Congressman, if I could just—

Mr. WITTMAN. Please. Yes.

General ODIERNO. It is the same type of problem we have. And I mentioned it yesterday and I will mention it here, is that right now we are training the next set of units to go to Afghanistan. We are now not training the ones that go after them. And that will cause a significant impact there.

But to get to what General Amos just said, what really concerns me is we will now see a slow degrade in our readiness that will cause us to have to respond if we have to respond to contingencies. And as was said earlier, we will respond, but they will not be as ready as we would like them to be. And that will ultimately cause—and the cost will be in lives and our ability to accomplish the mission in a timely fashion, which ultimately costs us more money in the long run. And that is what we are trying to prevent here.

Mr. WITTMAN. Sure. Thank you.

General WELSH.

General WELSH. Congressman, you said it. That is the future.

And I mentioned in my opening statement that by the end of July I won't have 75 or 70 percent or so of our combat air forces combat-ready. They will be flying enough to keep takeoff and landing currency. That is it. No mission training at all.

Mr. WITTMAN. Got you. Very good.

Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. The gentleman's time has expired.

Dr. Fleming.

Dr. FLEMING. Thank you, Mr. Chairman.

And thank you, panel. And thank you for your service to our Nation.

You know, Admiral Mullen, when he was before us, made the statement that, when asked what is the most pressing problem that this Nation has certainly in the defense of our Nation, and basically he said it was our debt and deficit.

Eighty-three percent of Americans agree with that, a Gallup poll shows. We are simply spending too much. That is the debate that led us to the Budget Control Act. And, of course, that was the consideration of holding our defense hostage for a debate that we all know—both sides of the aisle admit that reforming entitlements, streamlining entitlements, making entitlements strong and sustainable is really where we are going to have to have savings in outyears.

Having said that, you have been asked to cut almost \$500 billion even before the BCA. And I felt like that it was inappropriate for us to hold our national defense hostage, so I voted, like many on the panel here, against the Budget Control Act of 2011 and the sequester. But we still have it.

And the President, on the one hand, he talks in platitudes, he floats trial balloons. The only thing I know of that he has been specific about that would help put the money back into the sequester for the military would be to raise taxes. Well, we have already done that with a trillion dollars through the Affordable Care Act, another \$620 billion barely a month ago added, and that is crushing our economy today. We are going into a second recession. And we know this could cause even worse recession going forward.

So my question for you is this, and this is much more specific and down in the weeds. I have two important military bases, Barksdale Air Force Base and Fort Polk. Fort Polk has JRTC [Joint Readiness Training Center], and we have these rotating brigades that come in for training.

Would it make sense, could we streamline and lower costs by permanently locating at least one of these brigades at Fort Polk? We are adding, as you know, 100,000 acres. It is becoming a wonderful training site, even much better than it was.

And, General Odierno, go ahead.

General ODIERNO. Sure. Well, Congressman, as I said earlier, first, the improvements that have been made at Fort Polk have been tremendous. I was just down there not too long ago. And the criticality of the training that we do there is irreplaceable. So it is a really valuable place for us to continue to go.

However, that said, as I just told you, we are in the process now of reducing by 80,000 soldiers, and we are now reviewing where do they come out of. And so for us to think about moving and increasing somewhere is a very difficult time for us to do that. We are trying to figure out where are the best places for us to reduce our footprint. And that is what we are going through now.

So I have to figure out where I get 68,000 worth of structure out of the Army, and it is going to affect every installation. So after that is done—and part of that process, looking at where do we want to sustain our bases and how do we want to sustain our capability across the Army. Fort Polk is one that we will absolutely continue because of the value of JRTC. But if we are able to reinvest there yet, I don't know yet. We are still reviewing that.

Dr. FLEMING. Okay. Thank you, General.

General Welsh, my concern, of course, with Barksdale Air Force Base is the fact that we have a fleet of bombers that are older than many of the people in this room today, and it will probably fly another 30 years. But I do support the nuclear triad. I have heard it mentioned today. I think you do, as well.

So my concern, of course, is the program going forward of a modern bomber, a next-generation bomber. We know that, even if we commit to it, we have another 12 years before the first one rolls off the assembly line.

Can you help me understand what the impact may be on that, the next bomber fleet that we are seeing down the road, what sequester and any other things that we are doing at the Pentagon may affect that?

General WELSH. Congressman, the Long-Range Strike Bomber program, because of a change in the contract administration of mechanics here earlier this year, isn't affected by sequestration this year. The impact would be as the top line decreases for—whatever the top line is for the future, that has the potential to impact everything we are doing.

Dr. FLEMING. Right.

General WELSH. And so, as we look at the programs going forward, once we have an answer on what the funding will look like in the future, we will take a look at those.

I think you know we are committed to the Long-Range Strike Bomber. It is something that is foundational to our Air Force for the future. And, clearly, 60-year-old B-52s [Stratofortress strategic bombers] aren't going to extend for too much farther in the future.

Dr. FLEMING. Yes.

Thank you, gentlemen.

The CHAIRMAN. The gentleman's time has expired.

Mr. Palazzo.

Mr. PALAZZO. Thank you, Mr. Chairman.

Just a quick statement—first of all, thank you for your service—but because we are running out of time and I want my colleague from Alabama to have an opportunity to ask some questions.

I just wish the American people could actually see what we are discussing today and hear your remarks, hear our questions, hear your answers. I think we would be over with this in a week. I think the people would say, this is real. This isn't mainstream media trying to pick on one party or the other, but this is real. It is going to affect lives, and people are going to die over the decisions that we make here. And so I just wish there was an opportunity for the whole—all the American people to be able to see exactly what has taken place right here today.

And I am tired, personally, of people pointing fingers. You know, I mean, everybody is saying, hey, I didn't vote for sequestration, I

didn't do this. Nobody voted for sequestration of the military. So let's quit pointing fingers.

I am tired of our President being a little bit AWOL on this subject. And I am not talking about "absent without leave"—"absent without leadership." He is our Commander in Chief. He is the supreme authority when it comes to all things military, and we need to see his leadership on this.

And I am not pointing fingers at him. I mean, I tell you, I am kind of aggravated with many of my own colleagues from my same party who are sitting here, hey, let's just let sequestration happen, let's see what takes place. Look at this general over in AFRICOM [U.S. Africa Command], you know, just spending money as if it is—you know, taxpayer money with disregard. Look at the overruns that we have on weapons programs and so forth and so forth.

So, at the end of day, I think it is morally irresponsible. And it has been said in this room, as I think it has been said and paraphrased by the chairman. It is morally irresponsible to try to balance the financial woes and our bank accounts on the backs of our men and women in uniforms and their families. And I am praying that we will be able to put this behind us, find a way to avert sequestration, but also to get our spending under control in this country.

Thank you for your service.

I yield back.

The CHAIRMAN. The gentleman yields back.

Ms. Roby.

Mrs. ROBY. Well, I thank you. I am glad I stuck it out. I didn't know I was going to get any time.

So thank you all for being here today, and thank you for your patience and your candor. We appreciate all of you and what you do.

And I am going to submit my question for the record, but I would like just to get it out there, and any brief comment.

But, General Odierno, we talked about your testimony and the fact that 500 qualified aviators—pending aviator students will not be able to receive the necessary training at Fort Rucker. And we know this is going to have a huge impact.

But I want to know a little bit more specifically about these rotary-wing—potential rotary-wing pilots and the impact on readiness and how it is not just going to affect us under our current obligations, which are still there—and, certainly, you all know how important these pending aviator students are to our current mission as well as that down the road, but even more importantly than that, the impact, the specific impact that that is going to have 2 to 5 years down the road.

General ODIERNO. Well, 500 aviators equals 250 aircraft. So that means we will have 250 aircraft that we will not be able to man immediately based on this lack of training we will be able to do this year. So that is significant. I mean, that is a lot of aircraft, that is a lot of capability.

And then what happens is you form this backlog, so it will take us longer to get aviators out of the system at Fort Rucker. So that will cause us to even have more unmanned platforms because of this backlog. So the implications are very serious to our future

readiness, and it will take us 2 to 3 years to get ourselves out of this problem.

You know, Fort Rucker, we have streamlined our ability there to train our pilots, but we cannot take shortcuts because this is very serious business. So we have to make sure that they are trained to the quality necessary to meet all the gates necessary for them to be able to be effective as they report to their units.

Mrs. ROBY. Well, I appreciate that.

And, sir, I would like to submit the rest of my questions for your review on the record.

But thank you again for being here.

The CHAIRMAN. Thank you very much.

Let me thank you for being here. I know this was planned to go till 1 o'clock, so you have been very patient and stayed longer with us.

I have one request, that you expedite, if you would, the questions of these Members that stayed all this time. Because this is very timely, and we will get those questions to you promptly.

I have one final question that will be very brief. I think I know the answer. All I need is a "yes" or a "no" for the record.

We have already cut billions under Secretary Gates that many people have forgotten about, the \$487 billion that we have talked about but are just coming into play that are massive cuts. If you were asked to support an additional cut of \$250 billion, could you do so, given current missions, yes or no?

General.

General DEMPSEY. Not and execute the current strategy. I would have to know the change to the strategy and the increased risk.

The CHAIRMAN. Given current missions, the answer is no.

General ODIERNO. No.

The CHAIRMAN. General.

Admiral GREENERT. No.

General WELSH. No, sir.

General AMOS. No, sir.

General GRASS. No, sir.

The CHAIRMAN. Nor could I.

Thank you very much. Your service is greatly appreciated. Your patience here today has been greatly appreciated. Your answers have been very, very helpful.

This committee stands adjourned.

[Whereupon, at 1:32 p.m., the committee was adjourned.]

A P P E N D I X

FEBRUARY 13, 2013

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

FEBRUARY 13, 2013

Statement of Hon. Howard P. “Buck” McKeon
Chairman, House Committee on Armed Services
Hearing on
The Impacts of a Continuing Resolution and Sequestration
on Defense
February 13, 2013

Good morning. We meet this morning at the eleventh hour. This committee has undergone 16 months of exhaustive examination of the pending damage from sequestration, and now it appears that this self-inflicted wound is poised to cripple our military forces in just a few days. As the military members of our panel noted in a letter I received on January 14th, “We are on the brink of creating a hollow force.”

None of us come to this committee with clean hands. The debt crisis we face was decades in the making and a result of choosing the easy path when we should have explored the bravery of restraint. The President is not blameless. His negotiators put sequestration on the table during the long fight over the debt ceiling. We are not blameless either. Many of us voted for this terrible mechanism in the naïve hope the President and Congress could put our politics aside and fix our debt crisis. That was a bad bet.

Today we need to hear the ground truth from our witnesses. They have dedicated their lives to providing their best and unbiased military advice. We are certainly in need of such advice today. Unburdened from Administration orders to defer planning and assessments, you can now make it clear to this body, the White House, and the public, what damage months of inaction on sequestration and the Continuing Resolution have done to our Armed Forces. General Odierno, you testified yesterday that you began your military service in a hollow force, and that you are determined not to conclude your career the same way. I hope that you and the panel can expand on that notion today, determining at what level of cuts do Congress and the President turn that fear of a hollow force into reality.

General Dempsey, in April of last year you testified about the \$487 billion we have already cut from defense. You told Congress that to cut further would require an adjustment of strategy. You concluded that this new strategy would, and I quote, “Not meet the needs of the Nation in 2020 because the world is not getting any more stable.” I am interested to know if you continue to stand by that statement. Today, we anticipate detailed answers to our questions. In addition to hear about levels of risk as sequestration’s blind cuts absolves folks from planning, we want to hear if we have

crossed a red line and cut you too much. If that red line is in the near distance, I expect you point it out. Gentlemen, you have no stronger advocate, no better ally in this fight than the Armed Services Committee, and we urge you to work with us in these final days.

In the coming weeks and months leaders in both parties and the White House will, I hope, come together to begin discussion of the drivers of our debt and the path to fiscal health. There will be no easy choices on that table. I fear that many may choose to soften the blow of those choices by turning once again to the Department of Defense. Indeed, the formula to achieve what the President characterized as a balanced approach includes tens of billions in additional cuts for this fiscal year. I cannot support any plan, regardless of how it addresses entitlement spending or revenue, unless it also offers meaningful and real relief for DOD from sequester.

With that, I look forward to your testimony.

Statement of Hon. Adam Smith
Ranking Member, House Committee on Armed Services
Hearing on
The Impacts of a Continuing Resolution and Sequestration
on Defense
February 13, 2013

I would like to thank our witnesses for attending this hearing today. Since the so-called Super Committee failed to reach an agreement, the perils of sequestration have been apparent, but a deal to avoid its effects has been elusive. It is clear that, so far, sequestration has failed to motivate Congress to adopt sound fiscal policy. Now, we have hit a critical point in the effort to resolve our budgetary problems.

We have repeatedly heard from our military leaders that sequestration will be damaging to national security. I agree with Secretary Panetta's description of sequestration as a "disaster in terms of the Defense Department." Damage has also already been done to our economy.

I think everyone in this room can agree that sequestration must be prevented. It is clear that large, indiscriminate, across-the-board cuts to the Federal budget would have serious implications for national security, our economy, and a wide range of important Federal programs. The damage from sequestration compounds the uncertainty created by funding the Federal Government, particularly the Department of Defense, through a Continuing Resolution.

Without a doubt, we need to take action to reduce the Federal debt and deficit, but that cannot and should not be done through sequestration. Our economy is still fragile, too fragile to absorb such a blow, and our national security is too important. Reducing Federal spending by lopping off the top of the Federal budget without any discretion is bad government and fundamentally irresponsible. Congress should move toward a solution that reduces spending and that provides new revenues for sustaining important Federal programs that ensure national security and our long-term economic viability.

While hearings like this are useful, to an extent, we have already established that sequestration would be bad. I share the view that informing the American people of sequestration's harmful effects may be useful in pushing Congress to fix the problem it created, but it is time to stop talking and take immediate action to stave off the impending disaster that would occur should sequestration be implemented. There is too much at stake.

Sequestration is coming. The first of March is only a few legislative days away, and the prospects for severe damage to national security and our economy are real. Congress must act now to remove the threat of sequestration once and for all. Our economy and national security are at stake.

**DEPUTY SECRETARY OF DEFENSE ASHTON B. CARTER
PREPARED TESTIMONY
HOUSE ARMED SERVICES COMMITTEE
WEDNESDAY, FEBRUARY 13, 2013**

**EMBARGOED UNTIL RELEASED BY THE
COMMITTEE**

DEPUTY SECRETARY OF DEFENSE ASHTON B. CARTER
PREPARED TESTIMONY
HOUSE ARMED SERVICES COMMITTEE
WEDNESDAY, FEBRUARY 13, 2013

Mr. Chairman, Ranking Member Smith, Members of the Committee, thank you for holding this hearing on the effects of sequestration. I am not only pleased, but in fact eager, to testify before you. For over a year, Secretary Panetta and I, together with the uniformed leadership of this Department, have been warning of the devastating effects for national defense that will result from sequestration.

Last August in front of the House Armed Services Committee (HASC), I testified in detail to the impacts of sequestration that are specific to the Department of Defense, which include all the matters we will be discussing today in more detail, including furloughs, degraded readiness, maintenance cutbacks, and disrupted investment programs. I explained that these devastating effects would result from the size—and, for Fiscal Year 2013, the arbitrary nature—of the budget cuts that would be required under sequestration and the reductions in the discretionary caps mandated by the Budget Control Act of 2011 (BCA).

The consequences of sequestration and a lowering of the discretionary caps are serious and far-reaching. In the near-term, these reductions would create an immediate crisis in military readiness, especially if coupled with an extension of the Continuing Resolution (CR) under which we currently operate. In the long-term, failure to replace these large and arbitrary budget cuts with sensible and balanced deficit reduction would require this nation to change its defense strategy.

I have long understood that the Department of Defense must contribute to the resolution of the nation's fiscal situation. That is why we already accommodated \$487 billion in budget reductions versus the FY 2012 President's

Budget, and managed to do so in a manner consistent with our new defense strategy for the new era that America is entering. This \$487 billion reduction, now even larger, was on top of budget reductions that began under Secretary Gates, when we cancelled many unneeded and poorly performing defense programs.

I also understand that the taxpayer deserves careful use of every dollar we are given. That is why we have striven and must continue to strive to get better buying power for the defense dollar.

Both of these efforts will be severely undermined unless the budget uncertainty and cloud of sequestration that hangs over this Department, its uniformed and civilian employees, and the industry that supports us, is lifted.

What is particularly tragic is that sequestration is not a result of an economic emergency or a recession. It's not because discretionary spending cuts are the answer to our nation's fiscal challenge; do the math. It's not in reaction to a change to a more peaceful world. It's not due to a breakthrough in military technology or a new strategic insight. It's not because paths of revenue growth and entitlement spending have been explored and exhausted. It's purely the collateral damage of political gridlock.

We have long argued that the responsible way to implement reductions in defense spending is to formulate a strategy first and then develop a budget that supports the strategy. If the Department were forced to operate under the mechanistic sequestration rules and the CR for the remainder of the fiscal year, it would achieve precisely the opposite effect by imposing arbitrary budget cuts that then drive changes in national security strategy.

This is why I continue to urge Congress, in the strongest possible terms, to avoid sequestration by devising a comprehensive and balanced deficit reduction

package that both the House and Senate can pass and that the President can sign. I also strongly urge the Congress to pass FY 2013 appropriation bills for all Federal agencies, including the Department of Defense.

HOW SEQUESTRATION WOULD WORK

The American Taxpayer Relief Act of 2012 changed the dates and size of sequestration. The sequestration will now begin for the Department in about two weeks, on March 1, 2013; in addition, a second sequestration due to a breach in the discretionary spending caps for FY 2013 is scheduled to be implemented on March 27. Simply put, the combined effects of these two sequestrations will require the Department to cut roughly \$46 billion from the annualized level of funding provided on the FY 2013 CR, all in the last seven months of the fiscal year.

Sequestration cuts would apply to all of the DoD budget, including the wartime or Overseas Contingency Operations (OCO) portions, with only one significant exception. Exercising his statutory authority, the President indicated his intent to exempt all military personnel funding from sequestration. While I support the President's decision to protect our military personnel from sequestration, as a result, other DoD budget accounts must be cut by larger amounts to offset this exemption. We estimate that all other accounts would be reduced by roughly eight percent by the March 1 sequestration order, and by a total of about nine percent if both March 1 and March 27 sequestration orders occur. (The Office of Management and Budget would eventually calculate the precise sequester percentage and provide it in the sequestration order.)

In addition to requiring a large and sudden reduction in defense spending for FY 2013, the law requires that those reductions be accomplished in a rigid, across-the-board manner – account by account, and item by item. Cuts to the

operating portions of the DoD budget must be equal in percentage terms at the level of appropriations accounts. (Examples of appropriations accounts in the operating budget include Army active operation and maintenance, Navy Reserve operation and maintenance, and Air Force Guard operation and maintenance.) For the investment portions of the budget, the dollar cuts must be allocated proportionally at a line item level of detail. More than 2,500 programs or projects are separately identified as line items and would be reduced by the same percentage. Within each operating account or investment line item, managers could decide how best to allocate the reductions.

The CR also plays a deleterious role in shaping the FY 2013 budgetary landscape. The CR provides funding for OCO at the level requested in the President's Budget for FY 2013. However, the current CR directs that the base budget remain at the level enacted for FY 2012. That provides sufficient total base budget dollars to DoD, but the dollars are in the wrong appropriations. Compared to our needs for FY 2013, the CR provides too much funding in most investment accounts and insufficient funding in the Operation and Maintenance (O&M) accounts that sustain day-to-day operations and military readiness.

WHAT SEQUESTRATION MEANS

If sequestration is triggered, we will be required to make cuts of \$46 billion from virtually every category of the budget, except for military personnel. Moreover, these cuts must be accommodated in the last seven months of Fiscal Year 2013. The impact of these cuts will be compounded by the misallocation of funding under the CR.

The combined effects of sequestration and the CR will be especially problematic for the Operation and Maintenance accounts, which most affect military readiness. So allow me to focus on O&M, and in particular on the O&M

in the base budget for active forces, since this portion will be heavily impacted. As part of the overall cut of the \$46 billion cut caused by the two sequestrations, these O&M accounts will be reduced by \$13 billion from the annualized CR level. We must obviously protect the O&M dollars for our men and women in combat, which under sequestration rules we can only do by cutting base-budget O&M disproportionately—this results in an additional shortfall of \$5 billion in active base-budget dollars.

Then the CR comes into play. If it is extended in its current form throughout the year, it exacerbates problems because it does not provide enough dollars in O&M – adding an additional shortfall of \$11 billion.

Next, we are anticipating higher-than-expected wartime operating costs due to factors such as unexpectedly high operating tempo, increased transportation costs associated with difficulties experienced with Pakistan grounds lines of communication, and an expanded Persian Gulf presence to deal with contingencies in the region. This will add another \$5 billion to \$6 billion to the shortfall in active O&M dollars.

The cumulative effect of adding all these factors is a DoD-wide shortfall of about \$35 billion compared to our FY 2013 budget request (about 23 percent of that request) just in base-budget O&M dollars for Active forces. Some Services will experience base-budget O&M reductions much larger than 23 percent. The Army, for example, has a greater share of wartime operating dollars to protect and is also experiencing higher-than-expected use of wartime operating funds.

Greatly adding to our concern is that we would have only about 7 months to accommodate these formidable shortfalls. The result in the near-term will be a readiness crisis.

NEAR- TERM ACTIONS IN RESPONSE TO THE POSSIBILITY OF MARCH 1 SEQUESTER AND YEAR-LONG CR

Because the prospect of these developments is now all too real, and because the time in the fiscal year to absorb them is slipping away, on January 10 I authorized all Defense Components to begin taking immediate actions to slow spending in order to prevent even more dire consequences later in the year. I directed each of the Defense Component heads to report back to me by February 1 with a list of proposed actions and an implementation plan. I subjected the plans to three ground rules: first, protect wartime operations, urgent operational procurement needs, and wounded warrior programs; second, protect, whenever possible, key features of the new defense strategy and acquisition efficiencies; and third, ensure, to the extent feasible, that these near-term actions are reversible if action is taken to formulate a balanced deficit reduction deal that averts these developments.

Let me provide you some examples of the steps that are now being taken:

1. Most services and defense agencies will institute *civilian hiring freezes*, with exceptions for mission-critical activities. DoD hires between 1,500 and 2,000 people per week. It is important to note that this freeze will *disproportionately affect veterans*, who make up 44 percent of the DoD civilian workforce. Hiring freezes will also be felt across the nation, since 86 percent of DoD's civilian jobs fall outside the Washington, D.C. metro area.
2. Most services and defense agencies will begin *laying off a significant portion of our 46,000 temporary and term employees*, again with exceptions for mission-critical activities.
3. Most services and defense agencies will *curtail facilities maintenance*. More than \$10 billion in funding— mostly to contractors and small businesses—

would be affected, translating into lost jobs in the private sector. The Air Force, for example, plans to cut facilities maintenance projects by about half, including cuts to 189 projects at 55 installations in 26 states.

4. As of March 1, services will begin *cancelling ship and aircraft maintenance work* for the 3rd and 4th quarters. It is estimated that about 25 ships and 470 aircraft will be affected unless we can reverse these actions.
5. The Army and other services are *curtailing training* not directly related to missions.
6. The Army has directed *a reduction of 30 percent in base operating services* relative to FY 2012 levels and other services are also limiting base support.

ADDITIONAL ACTIONS THAT WILL NEED TO BE TAKEN SHOULD SEQUESTRATION AND A YEAR-LONG CR OCCUR

We are taking these steps now reluctantly, since they are obviously harmful, because we can no longer be confident that the March sequestrations and a year-long CR will be avoided, and by acting now we can make the damage in later parts of the year somewhat less severe. While these near-term actions will cushion the blow in later months, they are not nearly enough to accommodate a year-long CR or sequestration. If these unfortunate developments actually come to pass, in March we will have to take more drastic and irreversible actions. Accordingly, I also directed all Defense Services and Agencies to provide me by February 8 with a list of actions that they would take in the event that either budget contingency occurs. We are still formulating these plans, which are complex and require input from thousands of activities. We do not yet have complete information, but I can provide examples of the actions that the Defense Components have proposed to meet budgetary targets in FY 2013:

1. All the Services and Agencies are likely to have to *furlough most DoD civilian employees for an average of one day per week for up to 22 weeks.*

This action will seriously harm our ability to do important work, which will, in turn, harm national security: civilians fix our ships and tanks and planes, staff our hospitals, handle contracting and financial management, and much more. During this period, furloughs will result in a 20 percent cut in pay for civilians who support our national defense – which will affect their morale. Senate-confirmed political appointees like me cannot be furloughed under the law. But if our employees are furloughed, I intend to give back to the Treasury the same portion of my salary, and I encourage all of us – Executive Branch and Legislative Branch – to do the same. In addition, these furloughs, like other spending cuts, will adversely affect economies in the communities where our civilians live and work. Savings from furloughs will be critical to meeting budgetary cuts by the end of the year. However, it is important to note that even if all 800,000 civilian DoD employees are furloughed to the maximum extent permitted by law, the savings of \$4 billion to \$5 billion will still leave us \$41 billion short of our \$46 billion total target. Thus, much more cutting of DoD spending will result, affecting many defense workers who are not direct DoD employees.

2. *The Army will curtail training and reduce maintenance for units that are not scheduled to deploy to Afghanistan.* This could put readiness for future contingency operations elsewhere at risk. By year end, about two-thirds of Active and most Reserve Brigade Combat Teams (excluding those in OPERATION ENDURING FREEDOM) will be at reduced readiness levels. As part of accommodating sequester cuts, the Army may have to cancel up to five full-spectrum training rotations at its premier training centers.

3. The Air Force will be forced to cut flying hours sharply and will reduce remaining weapon system sustainment funding by about 30 percent. *Current planning suggests that most flying units (especially later-deploying units) will be below acceptable readiness standards by the end of FY 2013.* As a result, the Air Force will be substantially less able to respond on short notice to contingencies, which is one of their key missions.
4. The Navy and Marine Corps will be forced to cut back on readiness and fleet operations. *That could include a reduction of one-third in operations of Navy ships and aircraft in the Asia-Pacific region and gaps in availability of Marine Amphibious Ready Groups.*
5. DoD would be short between \$2 billion and \$3 billion in funds needed to pay for costs in the Defense Health Program. If we protect the operations of our in military treatment facilities, in order to maintain health readiness for Active-duty forces, then it is possible that *DoD might not have enough funds to pay TRICARE bills toward the end of the fiscal year.*
6. DoD will have to make cuts of roughly nine percent in each of more than 2,500 investment line items. These cuts will disrupt programs, add to unit costs, and damage the defense industry.

Overall, these actions will seriously disrupt programs and sharply degrade readiness. The acute effects on O&M and readiness are of particular concern to the Secretary and me and the Department's senior military leaders. The Chairman of the Joint Chiefs of Staff, the Vice Chairman, and all the Joint Chiefs recently signed a "28 star letter" stating: "The readiness of our Armed Forces is at a tipping point. We are on the brink of creating a hollow force."

LONGER-TERM EFFECTS OF SEQUESTRATION AND REDUCTIONS IN DISCRETIONARY CAPS

So far I have focused on the effects of sequestration and the CR in FY 2013. But current law also reduces the budgetary limits for defense spending by about \$50 to \$55 billion in each year from FY 2014 through FY 2021. These lower caps would constitute a second long-term budget cut as large as the one DoD has already carried out. Cuts of this magnitude will require that we substantially modify and scale back the new defense strategy that the DoD leadership, working under the guidance of the President, so carefully developed just a little more than a year ago.

Last year, we emphasized that we were at a strategic turning point – a transition from the era of Iraq and Afghanistan to the security challenges that will define our future.

The new strategy has five pillars:

First, we said that our force has got be leaner, but also agile, ready, and technologically advanced. In other words, we wanted to absorb the lessons we learned over the last decade of war – the lessons of counterinsurgency, IEDs, rotational presence intelligence and operational integration, adaptability – and apply them to the challenges of the future to create a new post-Iraq and Afghanistan concept of readiness for each of our services.

Second, we said that we would continue our focus on the Middle East, which will remain an enduring commitment of the United States, but also execute our so-called rebalance to the Asia-Pacific region, where so much of our future security and economic interests lie.

Third, we said we would strengthen our global alliances and partnerships to achieve shared objectives and to build the capacity of our security partners.

Fourth, we said we would ensure that the United States military remains capable of confronting aggression and defeating any opponent anywhere, anytime.

Fifth, we said we would continue to invest, even in hard budgetary times, in future-focused capabilities and technologies, like cyber and space, as well as special operations.

If the budget cuts described were sustained for the full nine years, we would need to make substantial changes to our strategy that will directly diminish our military strength. Large reductions in force structure would almost certainly be necessary. These force structure changes would not happen instantly; in order to meet the new budget levels, we would almost certainly be forced to gut our acquisition programs in the near-term. This would cancel or significantly delay most of our major modernization programs until after the force reductions are achieved years from now. On top of this, we would have little choice but to reduce military compensation and reduce civilian personnel costs.

The resultant force would not be able to rapidly respond to major crises in the world or to be globally positioned to deter our adversaries. To protect the most warfighting capability possible, this Department would need relief from constraints on how the Department manages non-warfighting costs, including such authorities as BRAC.

Just as sequestration and the reductions in the discretionary caps will have devastating effects on the nation's defense force, it will also be harmful to the defense industry upon which we depend. The quality of the weapons systems produced by our defense industry is second only to the quality of our people in uniform in making our military the greatest in the world. As such, a technologically vibrant and financially successful defense industry is in the

national interest. The act of sequestration and longer-term budget cuts, and even the prolongation of uncertainty, will limit capital market confidence in the defense industry, and companies may be less willing to make internal investments in their defense portfolio. The impact will be even greater on our subcontractors, who lack the capital structure to withstand turmoil and uncertainty. Of note, 60 to 70 percent of our defense dollars are subcontracted, and many of our subcontractors are small businesses. Above all, sequester will cause a spike in program inefficiency by stretching out programs and driving up unit costs.

Already, we saw the threat of sequestration drag on GDP growth in the 4th quarter of 2012, and consumer confidence took a hit over two months through January. According to private sector and CBO forecasts, sequestration impacts could reduce GDP growth in 2013 by over half a percentage point. That lost growth would deprive American workers of hundreds of thousands of jobs.

In the long run, national security rests on a strong economy, and also on non-defense functions – like education, especially science, technology, engineering, and math (STEM) – provided in other parts of the federal budget. While not part of this hearing, the drastic nature of sequestration would obviously be harmful to these functions too.

Finally, we must be mindful that the world watches – our friends and enemies watch – and continued turmoil and uncertainty take a toll on our international reputation for excellence and resolve in national security affairs.

SEQUESTRATION MUST BE AVOIDED

My testimony today makes clear that sequestration, especially if accompanied by a year-long CR, would be devastating to DoD—just as it would to every other affected Federal agency. The difference is that, today, these devastating events are no longer distant problems. The wolf is at the door.

If we end up with an extended CR, we will need help from Congress in modifying the CR to get the dollars in the correct appropriations. We will also need Congress to support our efforts to use the reprogramming process to shift money so as to meet our highest priorities.

But additional flexibility at this late date would do little to offset the devastating effects of sequestration since cuts of this abruptness and magnitude cannot be absorbed without significant and damaging cuts in nearly every budget category. Congress needs to deal quickly and broadly with our country's deficit problems in a balanced way that the President can support. Then Congress needs to de-trigger sequestration and pass appropriations bills for all Federal agencies. Given that there is not enough time to accomplish these far-reaching actions before sequestration is triggered on March 1, I would urge that Congress at least delay sequestration. But as I have emphasized, the cloud of uncertainty hanging over the nation's affairs is already having lasting and irreversible effects. Ultimately, the cloud of sequestration needs to be dispelled, not just moved to the horizon.

However it is done, we need relief from the twin evils of sequestration and a year-long CR. The magnificent men and women of this Department, and their families, deserve no less. They need to know with certainty that we will meet our commitments to them. Our partners in the defense industry, and their employees, need to know that we are going to have the resources to procure the world-class capabilities they can provide, and that we can do so efficiently. And perhaps most important, allies, partners, friends, and potential foes the world over need to know that we have the political will to implement the defense strategy we have put forward.

Again, I want to thank the Committee for providing us an opportunity to highlight our grave concerns. I welcome your questions.



Ashton B. Carter
Deputy Secretary of Defense

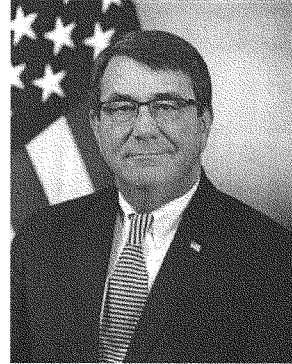


Ashton B. Carter is the Deputy Secretary of Defense.

Previously, Dr. Carter served as Under Secretary of Defense for Acquisition, Technology and Logistics from April 2009 until October 2011. As Under Secretary, Dr. Carter led the Department's efforts to accelerate the fulfillment of urgent operational needs; increase the Department's buying power; and strengthen the nation's defenses against emerging threats.

Over the course of his career in public service, Dr. Carter has three times been awarded the Department of Defense Distinguished Service Medal. For his contributions to intelligence, Dr. Carter was awarded the Defense Intelligence Medal.

Dr. Carter earned bachelor's degrees in physics and in medieval history from Yale University, summa cum laude, Phi Beta Kappa, and received his doctorate in theoretical physics from Oxford University, where he was a Rhodes Scholar.



Prior to his most recent government service, Dr. Carter was chair of the International and Global Affairs faculty at Harvard University's John F. Kennedy School of Government and Co-Director of the Preventive Defense Project. Dr. Carter was also Senior Partner at Global Technology Partners, a member of the Aspen Strategy Group, a member of the Board of Trustees of the MITRE Corporation and the Advisory Boards of MIT's Lincoln Laboratories and the Draper Laboratory, and an advisor to Goldman Sachs.

During the Clinton Administration, Dr. Carter was Assistant Secretary of Defense for International Security Policy. From 1990 until 1993, Dr. Carter was Director of the Center for Science and International Affairs at Harvard University's John F. Kennedy School of Government, and Chairman of the Editorial Board of International Security. Previously, he held positions at the Massachusetts Institute of Technology, the Congressional Office of Technology Assessment, and Rockefeller University.

Dr. Carter is a member of the President's Management Council and the National Council on Federal-Labor-Management Relations. He has previously served on the White House Government Accountability and Transparency Board, the Defense Science Board, the Defense Policy Board, the Secretary of State's International Security Advisory Board, and the Congressional Commission on the Strategic Posture of the United States.

Dr. Carter is a Fellow of the American Academy of Arts and Sciences and the American Academy of Diplomacy and is a member of the Council on Foreign Relations and the American Physical Society.

In addition to authoring articles, scientific publications, government studies, and Congressional testimonies, Dr. Carter has co-edited and co-authored eleven books.

Dr. Carter is married to Stephanie Carter and has two grown children.

HOUSE ARMED SERVICES COMMITTEE

STATEMENT OF
GENERAL MARTIN E. DEMPSEY, USA
CHAIRMAN
JOINT CHIEFS OF STAFF
BEFORE THE HOUSE ARMED SERVICES COMMITTEE
IMPACTS OF A CONTINUING RESOLUTION AND SEQUESTRATION ON
DEFENSE
13 FEBRUARY 2013

HOUSE ARMED SERVICES COMMITTEE

Chairman McKeon, Ranking Member Smith, distinguished members of the Committee, thank you for this opportunity to address the impacts of the current budget uncertainty on our force.

To be brief, military readiness is in jeopardy due to the convergence of unprecedented budget factors. We need help from our elected leaders to avoid hollowing out the force and compromising our Nation's security. Specifically, we need passage of a regular 2013 Defense Appropriation, and we need sequestration to be canceled.

The prospect for sequestration in fiscal year 2013 and commensurate reductions in spending caps from fiscal year 2014 to 2021 comes while we are under a Continuing Resolution, while we are just beginning to absorb the \$487 billion reduction mandated by the 2011 Budget Control Act, and while we are still fighting and resourcing operations around the globe. Potential reductions of this magnitude require us to carefully and deliberately evaluate trade-offs in force structure, modernization, readiness, and compensation – we can only do this with budget certainty, flexibility, and time.

You will hear today from the Joint Chiefs regarding the immediate budget implications specific to each of the Services. Many of these consequences may seem extreme, but they are very real. In fact, what they are sharing with you is just the beginning. If sequestration and outyear cap reductions are allowed to occur – requiring us to reduce spending by an additional \$500 billion for a cumulative reduction of \$1 trillion over the next 10 years for the Joint Force – it will severely limit our ability to implement our defense strategy; it will put the nation at greater risk of coercion; and it will break faith with the men and women who serve this nation in uniform.

Approximately one third of these cuts would come from our force structure. The other two-thirds of the reductions would occur in our

modernization, compensation, and readiness accounts. We will have much less of everything and therefore be able to provide fewer options to our nation's leaders.

Our current security challenges are more formidable and complex than those we faced in downturns following war in Korea, Vietnam, and the Cold War. There is no foreseeable "peace dividend" on our horizon. The security environment is increasingly competitive and dangerous. End strength caps in the 2013 National Defense Authorization Act restrict our ability to manage our force, and therefore inhibit our ability to reduce spending as quickly and as responsibly as in past draw downs. Unlike past downturns that followed periods of significant modernization, much of our equipment is older or aging. And, health care costs are approaching unsustainable levels.

Taken together and in context, these factors will make it much harder for us to preserve readiness after more than a decade of fighting in Iraq and Afghanistan. We must reset and refit, and in many cases replace, our war-torn equipment. And, we must retrain our personnel on a broader range of military skills that atrophied, while also developing new skills and capabilities that are essential to our ability to address emerging threats.

We have and will continue to be part of the Nation's economic recovery. We are committed to being responsible stewards of taxpayer dollars. We are working to build a Joint Force for 2020 that is affordable while maintaining our decisive advantages.

To do this, we need your help. First, we need budget certainty. That is, we need the antithesis of sequestration – namely, a steady, predictable funding stream. We can manage the transition – the military embraces change. One of Joint Force 2020's underlying assumptions is that we will need to get smaller but stay strong. And, I am convinced that we can restore the versatility of our force at an affordable cost.

Secondly, we need the time to deliberately evaluate trade-offs in force structure, modernization, compensation and readiness. Two rounds of sequestration are scheduled in March totaling \$46 billion in fiscal year 2013 reductions - the force cannot absorb these cuts without some long-term damage.

Finally, we need flexibility to allocate our resources to our highest priorities. When we are not allowed by legislation to touch individual pieces of the budget, readiness accounts inevitably pay the price. Everything needs to be on the table. This should include military and civilian force reductions, basing, the balance of the active and reserve components including the National Guard, and military pay and compensation. Adequate flexibility will also require support for follow-on reprogramming authority.

We cannot afford to further postpone a solution to this crisis. Failing to act is a choice in itself, one that will eventually require a progressive contraction of security commitments around the world, the abandonment of allies, the breaking of promises, and a less proactive approach to protecting our interests.

During posture hearings last year, I testified before this Committee that if we fail to step off properly on the budget, we will reduce our options and increase our risk. Our military power will be less credible because it is less sustainable. Now, we are only days away from making that risk a reality. We can do better. Our Nation, service-members, and their families deserve better -- and an uncertain and turbulent world that relies on American leadership requires it. Thank you.



General Martin E. Dempsey
Chairman, Joint Chiefs of Staff



General Martin E. Dempsey becomes the Chairman of the Joint Chiefs of Staff after serving most recently as the Army's 37th Chief of Staff from 11 April 2011 through 7 September 2011.

Past assignments have taken him and his family across the globe during both peace and war from Platoon Leader to Combatant Commander. He is a 1974 graduate of the United States Military Academy and a career armor officer.

As a company grade officer, he served with the 2nd Cavalry in United States Army Europe and with the 10th Cavalry at Fort Carson. Following troop command he earned his Masters of Arts in English from Duke University and was assigned to the English Department at West Point. In 1991, GEN Dempsey deployed with the Third Armored Division in support of OPERATION DESERT STORM. Following DESERT STORM, he commanded 4th Battalion 67th Armor (Bandits) in Germany for two years and then departed to become Armor Branch Chief in US Army Personnel Command. From 1996-1998 he served as the 67th Colonel of the Third Armored Cavalry Regiment. Following this assignment as the Army's "senior scout" he served on the Joint Staff as an Assistant Deputy Director in J-5 and as Special Assistant to the Chairman of the Joint Chiefs of Staff. From September 2001 to June 2003, General Dempsey served in the Kingdom of Saudi Arabia training and advising the Saudi Arabian National Guard. In June of 2003, General Dempsey took command of the 1st Armored Division in Baghdad, Iraq. After 14 months in Iraq, General Dempsey redeployed the division to Germany and completed his command tour in July of 2005. He then returned to Iraq for two years in August of 2005 to train and equip the Iraqi Security Forces as Commanding General of MNSTC-I. From August 2007 through October 2008, GEN Dempsey served as the Deputy Commander and then Acting Commander of U.S. Central Command. Before becoming Chief of Staff of the Army, he commanded US Army Training and Doctrine Command from December 2008-March 2011.



General Dempsey's awards and decorations include the Defense Distinguished Service Medal with Oak Leaf Cluster, the Distinguished Service Medal with three Oak Leaf Clusters, the Defense Superior Service Medal, the Legion of Merit with two Oak Leaf Clusters, the Bronze Star with "V" Device and Oak Leaf Cluster, the Combat Action Badge, and the Parachutist Badge. In addition to his Masters' Degree in English, he holds Masters' Degrees in Military Art and in National Security Studies.

General Dempsey and his high school sweetheart Deanie have three children: Chris, Megan, and Caitlin. Each has served in the United States Army. Chris remains on active duty. They have five wonderful grandchildren: Kayla and Mackenna by Chris and daughter-in-law Julie, Luke by Caitlin and son-in-law Shane, and Alexander and Hunter by Megan and son-in-law Kory. Chris and Julie are expecting their third child this fall.

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RECORD VERSION

STATEMENT BY

GENERAL RAYMOND T. ODIERNO
CHIEF OF STAFF UNITED STATES ARMY

BEFORE THE

HOUSE ARMED SERVICES COMMITTEE

FIRST SESSION, 113TH CONGRESS

ON IMPACTS OF SEQUESTRATION AND/OR A FULL-YEAR CONTINUING RESOLUTION
ON THE ARMY

FEBRUARY 13, 2013

NOT FOR PUBLICATION UNTIL RELEASED BY THE
COMMITTEE ON ARMED SERVICES

The fiscal outlook which the U.S. Army faces today is dire and, to our knowledge, unprecedented. The Army has been in a state of continuous war for nearly twelve years – the longest in our Nation's history. Today we have more than 81,000 Soldiers committed to operations around the world with approximately 58,000 in Afghanistan. Nearly 1.5 million Soldiers have deployed and more than half a million have deployed multiple times, some as many as four, five, and six times. More than 4,800 Soldiers have given their lives on behalf of this Nation.

The magnitude of today's fiscal uncertainty will have grave consequences for our Soldiers, our civilians, and our families who have sacrificed so much over the past decade. We cannot put the weight of these cuts on their shoulders. If nothing is done to mitigate the effects of operations under a continuing resolution, shortfalls in our funding of overseas operations, and the enactment of sequestration, the Army will be forced to make dramatic cuts to its personnel, its readiness, and its modernization programs, hence putting our national security at risk.

Before I describe the challenges we face this fiscal year, let me remind the committee of the actions we are taking to comply with the Budget Control Act of 2011. This act required \$487 billion in cuts over ten years across the Department of Defense, of which the Army's share is estimated to be \$170 billion. As a result of these cuts, the Army is reducing the active duty endstrength from a wartime high of about 570,000 to 490,000, the Army National Guard from 358,000 to 350,000, the U.S. Army Reserve from 206,000 to 205,000, and the civilian workforce from 272,000 to 255,000 by the end of fiscal year 2017 (FY17). This is a net loss of 106,000 Soldier and civilian positions. By FY17, we will downsize our active component force structure from 45 Brigade Combat Teams to potentially as low as 32. On January 18th, we released a Programmatic Environmental Assessment describing the impact of potential force structure reductions across the Army. We began these force reductions in FY12 focused initially on our overseas formations. In 2014, however, we will begin significant force reductions in the United States.

In addition to personnel and force structure reductions, we have had to extend the timelines of our modernization programs and reduce the frequency of our training exercises putting us on the outer edge of acceptable risk for our future force and our ability to meet our National Security Strategy.

The actions we have taken to adapt to the new defense strategic guidance are independent of the continuing resolution and sequestration. However, the domestic impacts of these actions are only now beginning to be felt and will be magnified over next several years.

The fiscal crisis we now face is due in part to the fundamental lack of predictability in the budget cycle. Since FY11, the Department of Defense has operated under a continuing resolution for 14 of the last 28 months. Each continuing resolution prevents new starts for needed programs, limits reprogramming actions, creates inefficiency, and often results in wasteful funding for accounts that we no longer want or need. This uncertainty creates challenges in projecting future funding requirements that inform our annual budgets over time. The lack of predictability has been exacerbated by the threat of sequestration for the past year and a half. In FY13, we now find ourselves in the midst of a perfect storm created by a continuing resolution, a shortfall in funds for overseas contingency operations, and the threat

of sequestration. If not addressed, the current fiscal uncertainty will significantly and rapidly degrade Army readiness for the next five to ten years.

The FY13 continuing resolution has funded the Army's base budget at fiscal year 2012 levels, resulting in a shortfall of more than \$6 billion in the Operation and Maintenance, Army (OMA) accounts relative to the President's Budget. Unless DoD is given sufficient authorities that will allow the Army to reprogram the necessary funds across appropriations, this shortfall will impact readiness.

Under the continuing resolution, we also face an approximate \$5-6 billion shortfall in OMA Overseas Contingency Operations (OCO) funding for FY13 because of costs related to the war in Afghanistan. This impacts the preparation of units about to deploy, current operations in support of Operation Enduring Freedom (OEF), and our ability to reset equipment and personnel. In order to ensure our Soldiers are prepared, we have committed and will continue to commit 100% of our operation and maintenance requirements for OEF. However, this exacerbates the funding shortfalls for the rest of the Army that is not deploying to Afghanistan, creating unacceptable readiness for the future.

In addition to the impacts that the continuing resolution and OCO shortfalls are having on the force, a sequestration order is scheduled to be issued on March 1, and a second sequestration order due to the breach in the FY13 discretionary caps is scheduled to be implemented on March 27. Using DoD planning assumptions for sequester, we estimate that sequestration will impose an additional \$12 billion cut on the Army's budget in the remaining months of FY13, to include a \$5 billion cut in OMA, and approximately \$1 billion in the Reserve Component operation and maintenance accounts. The remaining \$6 billion will be taken across the board from our procurement; Research, Development, Test, and Evaluation (RTDE); and military construction accounts.

While budgetary uncertainty negatively affects each of the Army's operating and investment accounts, our OMA account is the most heavily burdened. Together, the continuing resolution, OCO shortfall, and sequestration will equate to \$18 billion in shortfalls to the OMA account in the final seven months of FY13.

As always, our priority will be to ensure that all Soldiers in Afghanistan and those next to deploy are prepared and ready. We will ensure that the Forces in Korea are properly equipped and ready. We will continue to fund all programs related to Wounded Warrior care. Then we will determine if we have sufficient funds to continue training the Division-Ready Brigade at Fort Bragg – the Army's Global Response Force. These priority efforts will consume 43% of our OMA but are applied to only 22% of the force. Therefore, the remaining 78% of the force will have to absorb the \$18 billion in shortfalls out of the remaining 57% of the OMA budget. What that means is that the 78% of the force – more than three-quarters of the Army not in Afghanistan or Korea or deploying this year – will significantly curtail training today. Even with training and sustainment spending curtailed, we expect our accounts to be exhausted by July. The impact will translate into significant readiness issues through FY14 and beyond, and put at risk our ability to deploy forces to meet all contingency operations.

Given these challenges, the Secretary of the Army and I have taken the following steps to reduce our expenditure rate and mitigate, to the extent possible, the risk to current and future fiscal year budget execution:

- We are terminating an estimated 3,100 temporary and term employees and have directed an immediate Army-wide hiring freeze. These employees typically fill gaps in our installation services such as Army substance abuse programs, law enforcement, physical security, public works, and installation education programs.
- We have initiated planning to furlough up to 251,000 civilians for one day a week for twenty-two weeks, in full recognition of the risks of decreased productivity, morale, and the loss of 20% of their pay while furloughed. In addition to the hardship this poses to our dedicated workforce, this furlough will have an immediate trickle-down effect as the majority of these civilians are located throughout the U.S. on our posts and stations, and their spending directly impacts local economies and contributes towards state and local taxes. Any furlough would have an immediate impact on fire and emergency services, law enforcement, airfield operations, and all of our Army family programs.
- We are making plans to cancel 3rd and 4th quarter depot maintenance. As a result, we are terminating employment of an estimated 5,000 temporary, term, contractor, and permanent employees due to the reduced Depot Maintenance workload. We will reduce Army purchase orders with 3,000 companies, of which 37%, or approximately 1,100, may consequently face moderate to high risk for bankruptcy. The reduction in maintenance will delay equipment readiness for six Divisions (3rd Infantry Division [Georgia], 4th Infantry Division [Colorado], 10th Mountain Division [Louisiana and New York], 25th Infantry Division [Alaska and Hawaii], 101st Airborne Division (Air Assault) [Kentucky] and 82d Airborne Division [North Carolina]). These delays will halt the reset of 1,000 Tactical Wheeled vehicles, 14,000 communication devices and 17,000 weapons in Active and Reserve units for three to four years following redeployment.
- We will cancel all but one of the Brigade Maneuver Combat Training Center (CTC) rotations for non-deploying units. Our inability to train non-deploying units will degrade our units' readiness posture and inhibit the progressive build of unit capability to meet early FY14 missions, emergent requirements, and timelines associated with Combatant Commanders war plans.
- We are reducing institutional training across the Army. This will result in a backlog across our education and individual training courses well into FY14 and shortfalls in critical specialties.

For example, we will curtail seven courses that support our Homeland Defense/Civil Support Mission resulting in a shortfall of over 1,600 trained operators and severely degrading Chemical, Biological, Radiological and Nuclear Response Enterprise. These teams require all unit members to be trained and certified with specific individual certifications tied to both National Fire Protection Agency standards and public law for operations in the Homeland. There are no other courses within the Army or the Joint Forces that provide this level of certification..

We will cut 37,000 flying hours from our aviation training at Fort Rucker, which will create a shortfall of over 500 aviators by the end of FY13 and will create a backlog at flight school that will take over two years to reduce. We are curtailing sixteen military intelligence training courses, resulting in over 4,000 fewer Soldiers with the intelligence skills the Army requires. At Fort Sill, we will have to cancel fifteen Field Artillery

Advanced Individual Training courses. Soldier training for recruiting duties will be curtailed in March resulting in over 900 untrained recruiters.

The Army Corps of Engineers will reduce training slots at the Prime Power School for the Army's 249th Engineer Battalion, which provides power for the Department of Defense Disaster Response. Over time, reductions in training to critical specialties will decrease the Active Army, the Army National Guard, and the U.S. Army Reserves' responsiveness to crises and natural disasters in our communities across the United States.

We are cancelling attendance at some of our mid-career officer and noncommissioned officer training programs across the Total Army including the Captains Career Common Core Course, Intermediate Level Education, and Noncommissioned Officer Education System (NCOES) common core. This will add to the already tremendous backlog of midgrade officer and NCO education that has built up during the almost twelve years of war.

We have curtailed our civilian professional development training and education. This will cause an interruption in our intern training programs, reducing the pipeline and the functional and technical competency of the next generation of our Army civilians. It will also delay or eliminate civilian education and training opportunities – from entry level to senior management courses – impacting the growth and development of the Army's future civilian leaders at all levels of government service.

- We are in the process of reducing our base sustainment funds by \$2 billion in FY13, a 70% drop from what has been historically required to run our installations. This means even bare minimum maintenance cannot be sustained. In the event of water main breaks, clogged sewage, water damage, or power failure, there will not be adequate funding to repair these facilities, which would likely result in closure and personnel relocation. This also translates into an estimated 100,000 facility work orders per month that will not be executed, which places the Army on an accelerated slippery slope where our buildings will fail faster than we can fix them.

All restoration and modernization projects, including renovations to the United States Military Academy Cadet Barracks, the Training Barracks Upgrade Program that consists of 12 projects at 8 locations in the U.S., and our ability to complete relocation plans and projected closures in Europe will be eliminated. All projects under the Army Energy Program, to include upgraded energy efficiencies, utility system modernizations, and small renewable projects will also be cancelled. We have postponed all new construction projects, such as the Landstuhl Hospital in Germany and the Arlington National Cemetery expansion.

- We have initiated an Army-wide service contract review to identify savings and we are taking action to potentially terminate all non-essential contracts in coordination with our commands. These contracts support a myriad of programs, including facility maintenance, education and training, medical support, and equipment and provide thousands of jobs across our Army installations. Many of these contracts provide direct support to our Soldiers, civilians, and their Families, and their cancellation will cause backlogs in services rendered at our hospitals, our education centers, our schools, and

our child development centers. Once a contract is terminated, it takes at least 150 days to restart a cancelled program, increasing the workload on an already taxed acquisition workforce, and increasing costs of the program in the short term.

- Our National Guard and Reserve will experience cuts of 22% and 50% respectively in their medical readiness accounts. For example, we have cancelled pre-mobilization medical support for nearly 200,000 Army National Guard and U.S. Army Reserve Soldiers, which will degrade reserve unit readiness and increase post-mobilization training costs.
- We will curtail Operational Test and Evaluation operations affecting program of record development and fielding schedules which will add costly delays to critical acquisition programs and the fielding of equipment to Soldiers. Particularly in the areas of networking capability and precision munitions, we will experience delays in key network programs such as the Warfighter Information Network-Tactical (WIN-T) and the Joint Battle Command-Platform (JBC-P).
- We are reducing our Science and Technology (S&T) programs by approximately \$300 million. We anticipate making reductions to our federal civilian employees and support contractors, and reducing programs with our academic and industry partners across all fifty states and the District of Columbia. The Assistant Secretary of the Army (Acquisition, Logistics, and Technology) [ASA(ALT)] provided an assessment to the Assistant Secretary of Defense (Research and Engineering) on 1 February 2013 detailing the impact to Department of Defense research priorities.

In addition to impact of sequestration for FY13, the lowering of discretionary caps for FY14-FY21 will have long term impacts that extend beyond the current fiscal year. In order to maintain a balance between End Strength, readiness and modernization, the Army will have to reduce additional 100,000 personnel across the Active Army, Army National Guard and U.S. Army Reserve. This will generate a total reduction of approximately 189,000 personnel in the coming years.

We succeeded in recent years to bring personnel readiness in the Army National Guard and U.S. Army Reserve from 40% up to 70%; that readiness will rapidly drop, and indeed the degradation has already begun. Let me emphasize that these readiness issues are not limited to the Active Component. They will hit the Total Army. In fact, the reduction in overseas deployments which has sustained our reserve readiness over the past twelve years may result in us being unable to maintain our Operational Reserve.

Sequestration will continue to affect our valued civilian workforce, which would likely absorb cuts that would be sized proportionally to the cuts in our uniformed military endstrength. Sequestration threatens the civilian workforce with enormous uncertainty, and may to some extent encourage the most capable to seek more predictability through employment outside the Department, resulting in the loss of critical continuity and stability that our civilian employees provide to the uniformed force that rotates on a routine basis.

The losses in training and readiness we accrue in FY13 mean that we start FY14 already at a marked disadvantage. One of the primary challenges we face over the next five years is to re-orient our force to the broader array of missions we may face in the years ahead,

whether it be weapons of mass destruction (WMD) recovery, cyber operations, support to civilian authorities, or high-intensity combat. To get our leaders and their formations to the state of preparedness we need, we must train hard on a wide number of tasks at our home station and at our combat training centers. Many of our leaders and their units will be conducting these tasks for the first time, meaning that we actually need to invest in longer periods of training to achieve proficiency. Sequestration will place in jeopardy our ability to achieve this readiness, so we will have to fundamentally reconsider whether the Army has the ability to meet Combatant Commander requirements.

The long term nature of sequestration puts every one of the Army's ten major investment priorities in jeopardy including vital network, combat vehicle and aviation modernization programs. The industrial base assorted with supporting the Army is also likely to make cost-benefit decisions about where best to be competitive, with the attendant decline in developing and producing the equipment our soldiers need. We will also be finalizing the withdrawal of the bulk of our equipment from Afghanistan, which, along with equipment still being reset from Iraq, will require additional investment to return to full use.

Additionally, leader development will continue to be shortchanged. While we can recruit and train soldiers in relatively short order, we cannot build their leaders in a similar time span. The professional non-commissioned and commissioned officers who carry the Army across the years need the benefit of not only serving in units that train for and conduct wide ranging missions but also the professional education that deepens their knowledge of and commitment to the profession.

While all of these trends are ultimately reversible, the critical variable is time. Maintaining a capable and ready Army is not like flipping a light switch; it takes years of dedicated effort by a large number of dedicated professionals. Sequestration will take that time from us.

Ladies and Gentlemen, sequestration is not in the best interest of our country, our Soldiers, or our national security. Our current fiscal uncertainty is resulting in the cancellation of training today, the reduction of services to Army Families today, and the firing of 3,100 valuable civilian employees today. The cumulative effect of the Army's budget shortfalls and the enactment of sequestration put at risk the Army's ability to execute Department of Defense Strategic Guidance.

We have a talented, committed, experienced, well-led, and professional force. Our Army has performed its missions in Iraq and Afghanistan with great proficiency, professionalism, and courage. We cannot take the readiness of our force for granted. We cannot send our Soldiers into combat unprepared. If we don't have the resources to ensure their readiness, our Soldiers will be the ones who pay the price. It is incomprehensible to me that we will put this burden on the shoulders of those who have sacrificed so much during nearly twelve years at war.

Mr. Chairman, Members of the Committee: Thank you again for the opportunity to speak here today. The Army leadership understands the seriousness of our country's fiscal situation, but we need a legislative solution that averts sequestration and gives our leaders the flexibility to work with the resources you provide to shape our Forces for the future. We will be good stewards of the resources you give us. It is an honor to serve this great Nation and stand beside the dedicated professionals of our Army.

The strength of our Nation is our Army
The strength of our Army is our Soldiers
The strength of our Soldiers is our Families.
This is what makes us Army Strong!

I look forward to your questions.

GENERAL RAYMOND T. ODIERNO
38th Chief of Staff
UNITED STATES ARMY



General Raymond T. Odierno, assumed duty as the 38th Chief of Staff of the U.S. Army on 7 September 2011.

A native of Rockaway, New Jersey, General Odierno attended the United States Military Academy at West Point, graduating in 1976 with a commission in Field Artillery. During more than 36 years of service, he has commanded units at every echelon, from platoon to theater, with duty in Germany, Albania, Kuwait, Iraq, and the United States. After his first assignment with U.S. Army Europe, General Odierno was assigned to the XVIII Airborne Corps Artillery at Fort Bragg, N.C., where he commanded two batteries and served as a battalion operations officer.

General Odierno returned to U.S. Army Europe serving as a battalion executive officer and division artillery executive officer including deployment for Operations DESERT SHIELD and DESERT STORM. He later commanded 2nd Battalion, 8th Field Artillery, 7th Infantry Division, and the Division Artillery, 1st Cavalry Division.

From October 2001 to June 2004, General Odierno commanded the 4th Infantry Division, leading the division during Operation IRAQI FREEDOM from April 2003 to March 2004. From December 2006 to February 2008, he served as the Commanding General, Multi-National Corps – Iraq (III Corps) as the operational commander of the surge of forces. Later, he served as the Commanding General, Multi-National Force - Iraq and subsequently United States Forces - Iraq, from September 2008 until September 2010. From October 2010 until August 2011, he was the Commander of United States Joint Forces Command.

Other significant assignments include: Arms Control Officer, Office of the Secretary of Defense; Chief of Staff, V Corps; Assistant Division Commander (Support), 1st Armored Division; Deputy Commanding General, Task Force Hawk, Albania; Director of Force Management, Office of the Deputy Chief of Staff for Operations and Plans; and Assistant to the Chairman of the Joint Chiefs of Staff where he was the primary military advisor to Secretaries of State Colin Powell and Condoleezza Rice.

General Odierno holds a Bachelor of Science degree in Engineering from West Point and a master's degree in Nuclear Effects Engineering from North Carolina State University. He is a graduate of the Army War College and holds a master's degree in National Security and Strategic Studies from the Naval War College.

General Odierno is married to his high school sweetheart, Linda. They have three children: son Tony and his wife Daniela; daughter Katie and her husband Nick Funk; and son Mike. He and Linda also have three grandsons. His oldest son, Army Captain (Retired) Tony Odierno, is a combat veteran.

General Odierno's awards and decorations include four Defense Distinguished Service Medals, two Army Distinguished Service Medals, the Defense Superior Service Medal, six Legions of Merit, the Bronze Star Medal, the Defense Meritorious Service Medal, four Meritorious Service

Medals, the Army Commendation Medal, the Army Achievement Medal, and the Combat Action Badge.

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RELEASED BY THE HOUSE
ARMED SERVICES COMMITTEE

STATEMENT OF
ADMIRAL JONATHAN GREENERT
CHIEF OF NAVAL OPERATIONS
BEFORE THE
HOUSE ARMED SERVICES COMMITTEE
ON
THE IMPACTS OF A CONTINUING RESOLUTION
AND SEQUESTRATION ON DEFENSE
13 FEBRUARY 2013

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UNTIL RELEASED BY THE
HOUSE ARMED SERVICES COMMITTEE

Chairman McKeon, Ranking Member Smith, and distinguished members of the Committee, thank you for holding this hearing and for the opportunity to testify on the impact on our Navy of sequestration and a full-year Continuing Resolution (CR).

Important qualities of our naval forces are their readiness to respond to crisis and persistent forward presence. Because they continuously operate overseas at the maritime crossroads, our Navy and Marine Corps are the first responders to crises such as terrorist attack, military aggression or natural disaster. Operating forward at strategic maritime crossroads such as the Straits of Malacca, Hormuz, or Gibraltar, naval forces contain conflict, deter aggression without escalation, and assure allies and build partnerships.

When I last appeared before you I assessed that our FY13 budget proposal, developed under the limitations of the Budget Control Act of 2011 (BCA), was not without risk. As I said last year, senior DoD leaders conducted an assessment of the ability of our force to implement the new Defense Strategic Guidance (DSG). In the Navy we also assessed the capabilities, training, and the number and type of ships and aircraft required to execute the strategy. We determined the force supported by the FY13 budget proposal was able to execute the strategy, but with some risk due to limitations in overall capacity.

There is no question we must get our nation's fiscal house in order, but we should do so in a coherent and thoughtful manner to ensure appropriate readiness, warfighting capability and forward presence – the attributes we depend upon from our Navy. Unless we change course we will, without proper deliberation, dramatically reduce: our overseas presence; our ability to respond to crises; our efforts to counter terrorism and illicit trafficking; and our material readiness across the Navy (afloat and ashore). Perhaps more disconcerting, we may irreversibly damage the military

industrial base we depend on to build and maintain our ships and aircraft. Over the next decade, the combination of sequestration and the reduced discretionary caps would compel us to dramatically reduce our fleet size. Under these circumstances, I assess your Navy will be limited in its ability to provide the capability and capacity called for in the current defense strategy; and unable to fully support the Global Force Management Allocation Plan for our Combatant Commanders.

Our situation

We face three separate, but linked, budget mechanisms that converge next month and place at risk our ability to carry out our defense strategy. As a result of the failure of the Joint Committee established under the BCA to achieve \$1.2 trillion in deficit reduction, a sequestration order will be issued on March 1; in addition, a second sequestration due to a breach in the FY 2013 discretionary caps is scheduled to be ordered on March 27. Sequestration will add to a budget shortfall in operating accounts already created by the Continuing Resolution (CR). Sequestration and the CR render us unable to continue our current and anticipated level of operations, compel us to cancel some maintenance and training, and constrain our ability to invest in future capability and capacity.

We will approach this challenge using our enduring tenets, established upon my assuming the office of CNO, to guide us:

- Warfighting first
- Operate forward
- Be ready

The Navy's primary mission is to be ready to fight and win today, while building the ability to win tomorrow; all our efforts will remain grounded in this fundamental responsibility. We will continue

to operate forward, where the Navy is most effective; but at significantly lower levels. And we will endeavor to remain ready, providing our fleet and Sailors the best possible training, maintenance, and logistics to assure their confidence and proficiency.

FY13: A readiness crisis in the making

Our immediate concern from the sequestration and the CR is their impact on readiness and training during this fiscal year. The CR is based on FY12 funding levels and therefore includes fewer operating dollars than we proposed, and Congress authorized, for FY13. Extended for the whole fiscal year, the CR would provide the Navy \$3.2 billion less in operations and maintenance funds than requested in the FY13 budget. In addition, we have incurred \$1.4 billion in unplanned costs in FY13 from emergent ship repairs and increased (and unbudgeted) presence in the Arabian Gulf. The CR also precludes the start of new projects. If the CR is extended for the whole fiscal year, we will stop work on two aircraft carrier refueling overhauls (USS ABRAHAM LINCOLN and USS THEODORE ROOSEVELT), one of which is within four months of completion. The prohibition on “new starts” under the CR also compels us to defer construction of USS JOHN F. KENNEDY (CVN-79), USS SOMERSET (LPD-25) and USS AMERICA (LHA-6) and cancel the planned procurement of an *Arleigh Burke*-class guided missile destroyer, multiple P-8A Poseidon aircraft and hundreds of weapons. Similarly, we will not begin about \$675 million in “new start” military construction projects while under the CR.

In addition to the CR funding shortfall in operating accounts, the March 1 sequestration order would impose significant additional cuts in FY13, which would reduce all of our accounts by about eight percent. And as mentioned above, second sequestration due to a breach in the FY 2013 discretionary caps is scheduled to be implemented on March 27. The Department estimates the

combined effects of sequestration will be a nine percent reduction, which would result in a \$4 billion cut in operations and maintenance funding from current levels and \$11.2 billion in the FY13 budget overall. Taken together, the CR, sequestration and emergent costs would create an \$8.6 billion shortfall in the operations and maintenance account for FY13. \$12.3 billion has already been spent from this account in FY13, and another \$16.4 billion is fixed in existing contracts and safety requirements. Therefore, we must find \$8.6 billion in savings from the remaining \$20.2 billion in operations and maintenance funding – more than a third of the money available in the account.

Therefore, we are compelled to take the following steps:

- Cancel 70% of ship maintenance in private shipyards and all aircraft maintenance scheduled in the 3rd and 4th quarters of FY13; this affects up to 25 ships and 327 aircraft and eliminates critical ship and aircraft repair and adds to an existing maintenance backlog generated by a decade of high-tempo operations – resulting in an overall Navy maintenance backlog of about \$3 billion;
- Reduce by about one-third the number of days at sea and hours of flight operations for ships and aircraft permanently stationed in the Asia-Pacific; cancel all aircraft deployments and four of six ship deployments to the region;
- Reduce by half the number of days at sea and by one quarter the hours of flight operations for ships and aircraft in the Middle East and Arabian Gulf; reduce carrier presence in the Arabian Gulf to one (the requirement is two carriers);
- Stop Amphibious Ready Group (ARG) deployments to the Middle East / Arabian Gulf in FY14 after USS BOXER; this loses the nation's primary response force for crises such as noncombatant evacuations in Liberia and Lebanon, floods in Pakistan and

Thailand and terrorism threats in Africa – all of which were addressed by ARGs in the past decade.

- Cancel five of six FY13 ship deployments (including USNS COMFORT) and stop all aircraft deployments to South America, stopping efforts that interdicted hundreds of tons of illegal drugs into the U.S. in 2012;
- Cancel all ship and aircraft deployments to Africa, halting support to counter-terrorism operations on the continent during a time when terrorist affiliates are active there;
- Stop training and certification of ballistic missile defense ships, resulting in no new deployments of these ships to Europe after October 2013;
- Cancel most non-deployed operations including exercises, pre-deployment certification, and all port visits in the continental U.S.; as a result, the number of ships available for homeland defense will be reduced and it will take 9-12 months for ships that were not preparing to deploy to regain certification for Major Combat Operations;
- Stop training and certification for Carrier Strike Groups (CSG) except for the one next to deploy to the Middle East / Arabian Gulf; We will have only one additional or “surge” CSG certified for Major Combat Operations in FY13 and throughout FY14 (down from almost three on average);
- Stop training and certification for Amphibious Ready Groups (ARG), resulting in no additional or “surge” ARG certified for Major Combat Operations in FY13 and FY14;
- Freeze hiring of civilian workers and release current temporary workers, resulting in a reduction of about 3,000 people from our shipyard workforce of Navy civilians;
- Plan to furlough up to about 186,000 civilians for 22 days, resulting in a 20 percent pay reduction.

On top of reductions in operations and maintenance funding, sequestration will reduce FY13 funding for each investment program (about \$7.2 billion overall). In some programs, such as F-35C *Lightning II*, P-8A *Poseidon* and E-2D *Hawkeye*, this reduction will compel us to reduce the number of platforms procured in FY13.

In addition to these immediate impacts, our actions in FY13 to address reductions from the CR and sequestration will begin to erode our readiness in four major ways:

Degraded material condition and expected service life of our ships and aircraft. The cancellation of maintenance for ships and aircraft will reduce their service lives, increase the likelihood of break downs and force us to pay a higher cost (premium) to make up the critical maintenance later. Should operations funding eventually become available, some ships and aircraft will be unavailable to deploy or surge because they need repairs; further, we will need to realign ship maintenance periods and repairs within an already tight operational schedule.

Sailors lacking proficiency and confidence. Cancelled training and exercises could result in some units in the fleet that, by the end of FY13, are not proficient in the basic skills necessary for effective warfighting operations. To be effective, we need all combatants able to deploy or surge to a contingency.

A damaged industrial base. Delayed or cancelled ship and aircraft construction, cancelled maintenance and repair, and reduction of the civilian workforce will immediately impact private shipyards, aircraft and weapons manufacturers and our military industrial base. The loss of work in FY13 alone may cause some smaller suppliers and service providers to shut down.

Increased strain and operational tempo on our Sailors and Civilians. The reduction of ready forces will put greater stress on the Sailors assigned to ships and squadrons that are currently deployed or soon to deploy. They will operate at a higher tempo; and we are already at an extraordinary operational tempo. While military compensation is exempt from sequestration, there is a cost to the force in having to do more. However, I remain committed to making sure we provide for our Sailors, Civilians and their Families by funding our most important missions and deployments, and Family Readiness Programs.

If Congress authorizes the Navy to transfer funds within the FY13 budget, we intend to restore our most critical operations and maintenance requirements. This will be done by taking funding from investments such as perhaps the P-8A *Poseidon*, F-35C *Lightning II* and Littoral Combat Ship – resulting in fewer of these platforms being procured in FY13.

Longer-Term Effects: A Different Fleet and a Different Strategy

In addition to sequestration for FY13, the BCA also required the lowering of the discretionary caps for FY14 through FY21. Beyond FY13, if the discretionary cap reductions are sustained for the full nine years, we would fundamentally change the Navy as currently organized, trained and equipped. As time allows, we will take a deliberate and comprehensive approach to this reduction, based on a reevaluation of the Defense Strategic Guidance. In doing so, I will endeavor to: (1) ensure our people are properly resourced; (2) protect sufficient current readiness and warfighting capability; (3) sustain some ability to operate forward by continuing to forward base forces in Japan, Spain, Singapore and Bahrain, and by using rotational crews; and (4) maintain appropriate research and development.

As I indicated last year to the Senate Armed Services Committee (SASC), under a set of fiscal circumstances in sequestration, our Navy may be a fleet of around 230 ships. That would be a loss of more than 50 ships, including the loss of at least two carrier strike groups. We would be compelled to retire ships early and reduce procurement of new ships and aircraft. This would result in a requisite reduction in our end strength. Every program will be affected and as Secretary Panetta noted in his 2011 letter to Senators McCain and Graham, programs such as the F-35 *Lightning II*, next generation ballistic missile submarine and Littoral Combat Ship might be reduced or terminated.

Inevitably, these changes will severely damage our industrial base. Some shipyards will not be able to sustain steady construction or maintenance operations and may close or be inactivated. Aviation depots will reduce their operations or become idle. Aircraft and weapons manufacturers will slow or stop their work entirely. In particular, the small firms that are often the sole source for particular ship and aircraft components will quickly be forced to shut down. Once these companies and their engineers and craftspeople move on to other work, they are hard to reconstitute, sometimes impossible, at a later date when our national security demands it.

Reducing the Impact of Sequestration and the Continuing Resolution

We ask that this Congress act quickly to replace sequestration with a coherent approach to deficit reduction that addresses our national security interests. Additionally, the Department needs the Congress to pass FY13 appropriations legislation that allows the department to allocate reductions in this fiscal year in a deliberate and coherent manner to sustain current operations while meeting current obligations.

I am honored to represent about 600,000 Sailors and Civilians serving their country in the United States Navy. We understand the importance of resolving our fiscal challenges to ensure our nation's future prosperity. I look forward to working with the Congress to ensure our Navy will remain the world's preeminent maritime force while continuing to protect our nation's security and prosperity.

Chief of Naval Operations**9/23/2011 - Present****Admiral Jonathan W. Greenert**

Adm. Jonathan W. Greenert is a native of Butler, Pa. He graduated from the U.S. Naval Academy in 1975 and completed studies in nuclear power for service as a submarine officer.

His career as a submariner includes assignments aboard USS *Flying Fish* (SSN 673), USS *Tautog* (SSN 639), Submarine NR-1 and USS *Michigan* (SSBN 727 - Gold Crew), culminating in command of USS *Honolulu* (SSN 718) from March 1991 to July 1993.

Subsequent fleet command assignments include Commander, Submarine Squadron 11; Commander, U.S. Naval Forces Marianas; Commander, U.S. 7th Fleet (August 2004 to September 2006); and, Commander, U.S. Fleet Forces Command (September 2007 to July 2009).

Greenert has served in various fleet support and financial management positions, including deputy chief of Naval Operations for Integration of Capabilities and Resources (N8); deputy commander, U.S. Pacific Fleet; chief of staff, U.S. 7th Fleet; head, Navy Programming Branch and director, Operations Division Navy Comptroller. Most recently he served as 36th vice chief of naval operations (August 2009 to August 2011).

He is a recipient of various personal and campaign awards including the Distinguished Service Medal (6 awards), Defense Superior Service Medal and Legion of Merit (4 awards). In 1992 he was awarded the Vice Admiral Stockdale Award for inspirational leadership. He considers those awards earned throughout his career associated with unit performance to be most satisfying and representative of naval service.

Greenert became the 30th Chief of Naval Operations Sep. 23, 2011.



Updated: 23 September 2011

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DEPARTMENT OF THE AIR FORCE
PRESENTATION TO THE COMMITTEE ON ARMED SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES

SUBJECT: IMPACT OF SEQUESTRATION
STATEMENT OF: GENERAL MARK A. WELSH III, USAF
CHIEF OF STAFF, UNITED STATES AIR FORCE

FEBRUARY 13, 2013

NOT FOR PUBLICATION UNTIL RELEASED
BY THE COMMITTEE ON ARMED SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES

**Statement of General Mark A. Welsh III, USAF
Chief of Staff, United States Air Force**

**Impact of Sequestration
House Armed Services Committee
February 13, 2013**

America's Air Force strives daily to be *The World's Greatest Air Force—Powered by Airmen, Fueled by Innovation*. However, the threat of sequestration continues to overshadow that vision, as well as the Department of Defense's efforts to organize, train, equip, and employ America's armed forces in the defense of our Nation, her allies, and her ideals. Designed as a forcing function to spur meaningful fiscal solutions for our country, sequestration has instead exerted incredible short- and long-term planning disruptions upon the military Services. It now threatens to carve crucial capability from America's military without thoughtful consideration of changes in the strategic environment, our Nation's defense strategy, or the conscious assumption of risk in the military instrument of national power.

We face three separate, but interrelated budget mechanisms next month that taken together jeopardize the Air Force's ability to fulfill its role in the Nation's current defense strategy. The sequestration order that may be issued on March 1, 2013, along with a second sequestration due to a breach in the FY 2013 discretionary caps scheduled for March 27, together with the budget shortfall in operating accounts to support overseas contingency operations already created by the current continuing resolution, all combine to render us unable to continue our current and expected level of operations. If these budgetary limitations occur, they will significantly undermine the Air Force's readiness and responsiveness today, wreak havoc on the Air Force civilian workforce in the coming months, and—by hobbling modernization efforts—mortgage the Air Force's future health for years to come.

For the United States Air Force, the effects of sequestration equate to a potential \$12.4 billion topline budget reduction, affecting every non-exempt account and program. Coupled with a \$1.8 billion shortfall in overseas contingency operations funding resulting from a potential year-long continuing resolution, reductions of this magnitude have already driven disruptive actions in the near-term, and promise devastating impacts over the longer-term.

Near-Term Actions

As the current fiscal year approaches the halfway mark and the issue of FY13 funding remains unresolved, the Air Force and the other military Services have instituted many near-term cost-saving actions to provide as much fiscal flexibility as possible in the coming months. As directed by Deputy Secretary of Defense Carter's January 10, 2013, guidance memorandum "Handling Budgetary Uncertainty in FY13,"

these actions attempt to minimize adverse effects on Airmen and their families, protect unit readiness, and are to some degree "reversible" if the budgetary environment stabilizes. Nonetheless, the significant near-term actions the Air Force has already taken have induced turbulence into daily operations and future planning, and disrupted the lives of Airmen and their families.

As of January 16, 2013, the Air Force implemented a civilian hiring freeze. This practice will drive capability gaps across the force and slow the Air Force's ability to provide trained civilian Airmen to manage the nuclear enterprise, sustain investments in the intelligence community, and maintain and operate our joint and Air Force bases. The Air Force is also releasing temporary employees and not renewing the appointments of term employees unless their positions are deemed mission critical. This will impact up to 990 temporary employees, 2,160 term employees, and 260 re-employed annuitants who were specifically re-hired from retirement status for their expertise to perform specialized tasks. These releases will generate mission gaps, and will require the use of military personnel to cover the workload of the civilian positions vacated.

We have also reduced funding allocations for our Major commands by approximately 10 percent on an annual basis for FY13, or approximately 22 percent of their remaining funds, in order to plan prudently for possible sequestration and a full-year continuing resolution. All flying not directly related to readiness is being reviewed for necessity, while also weighing the international partnership impacts of withdrawing from high-profile events. Supply purchases are limited to essential FY13 consumption only, which will drive a bow-wave of all maintenance supply requirements beyond the fiscal year as long-term needs remain unordered. This practice will most affect operations at remote locales, where supply chain delays exert the greatest impact in the absence of an on-station critical component. The commands are also de-scoping or incrementally funding contracts for FY13 only, particularly in the areas with the most flexibility, such as construction, facility support, information technology, and knowledge-based services. Unfortunately, these are also the areas where small business contracts typically thrive, and we anticipate a significant hit to our small business prime contractor base, an area where we have devoted time and energy to strengthen.

The Air Force has also deferred all non-emergency facility sustainment, restoration, and modernization projects across its installations, which amounts to a 50 percent reduction in annual spending in this area, and a 90 percent reduction in planned spending for the remainder of the fiscal year. These delays affect dozens of restoration, modernization, sustainment, and demolition projects at dozens of installations nation-wide and overseas. Dormitory upgrade and repair projects are also delayed, as are many energy-saving initiatives at multiple installations.¹ Although these near-term

¹ 93 restoration and modernization projects at 52 installations nation-wide and overseas, 14 sustainment projects at 12 installations, and 82 demolition efforts across 39 locations have been delayed. Twelve dormitory upgrade and repair projects affecting 1,195 dorm rooms for Airmen at nine installations are also delayed, as are 220 energy

facility actions are technically “reversible,” they also magnify already-verified infrastructure risks, invite more costly repairs once conducted in the future, and bring economic hardship upon the civilian workforce in the affected communities. Some of these deferments elevate operational risk by interrupting runway or taxiway sustainment, while others require us to maintain unneeded and energy-inefficient infrastructure.

Commanders across the Air Force major commands have already cancelled staff assistance visits, inspections, conferences, symposia, and training seminars not deemed mission critical. Some of these cancellations translate into increased operational risk that will compound over time as units delay much-needed compliance inspections, while others delay required certifications for specialized career fields like firefighters and explosive ordinance disposal specialists. A \$53 million reduction in specialized training of this type postpones the promotions of over 8,000 Airmen, and reduces the certification levels of those career fields to critical deficiencies.

If the Air Force executes all of these near-term actions for the remainder of the fiscal year, they will generate spending reductions of about \$2.9 billion of the \$12.4 billion total anticipated reductions required by sequester. Should sequestration occur, the remaining \$9.5 billion in reductions must come from three critical areas where reductions will inflict near- and long-term damage to our force—the civilian element of our Total Force, today’s readiness (O&M accounts), and modernization accounts designed to ensure future institutional health—all during the latter half of the fiscal year. These longer-term actions will be substantial and will produce enduring consequences on our force for many years.

Longer-Term Actions

Should sequestration occur, the Air Force expects the requirement to involuntary furlough up to 180,000 civilian Airmen. Although the exact figures are still in work, we anticipate the loss of 22 working days for each civilian Airman between mid-April and September 30, 2013. This loss goes far beyond the 31.5 million man-hours of productivity we will lose—it also hits each individual with a 20 percent loss in pay over a six-month period, and it breaks faith with an integral and vital element of the Air Force family. The operational impacts will be particularly severe in parts of the Air Force that rely most heavily on civilians, like our depots and some of our flying training bases. For example, at Laughlin AFB, Texas, the Air Force’s largest pilot producer in FY12², civilian Airmen comprise the entire maintenance and simulator instructor workforce. A twenty percent reduction in that base’s ability to maintain jets and train student pilots will slow vital pilot production, an issue that always requires careful management.

focus fund projects at 70 installations, as well as some installation moves toward utility privatization and automated metering.

² 358 Laughlin AFB undergraduate pilot training graduates in FY12

Decreasing force structure and high operations tempo since 2001 have combined to increase stress on all the Services, and Air Force readiness levels have declined steadily since 2003. We have already been forced to put full-spectrum training on the back-burner to support the current fight, and now the arbitrary nature of sequestration threatens to put us even further into a readiness deficit. The Air Force's global range, speed, flexibility, and precise striking power are what make it one of America's premier asymmetric advantages. That strategic agility and responsiveness requires a high state of readiness across the Total Force to meet the requirements of the Defense Strategic Guidance—the Air Force cannot execute the defense strategy from a tiered-readiness posture. Continuing to sacrifice Air Force readiness jeopardizes the many strategic advantages of airpower, and as the Service chief charged with strengthening and advising on America's Air Force, I cannot stress strongly enough the devastating effects sequestration will have on Air Force readiness.

Operationally, flying hours remaining in the current fiscal year will drop by 203,000 hours across the Air Force, the consequence of an 18 percent reduction of the fiscal year's total budget, or about 30 percent of remaining funds. Because the Air Force must prioritize and continue to fly operational flights in support of ongoing named operations, nuclear preparedness, presidential support, and initial qualification training pipelines, many of the flight hours that must be eliminated will come from other combatant commander requirements such as theater security cooperation packages and continuous bomber presence missions in the Pacific, joint and coalition exercises,³ and the cancellation of important advanced tactical training such as the Weapons Instructor Course. Test and training ranges in Nevada and Utah would also close in the July 2013 timeframe, removing valuable airspace for both combat training and test-and-evaluation activities. Beyond the readiness impacts of the flying hour reduction, relationships and continued interoperability training with many key partners and allies around the world, particularly in the Pacific, are also adversely affected.

The remainder of the lost flight hours, which are so vital to aircrew proficiency and currency, will come from the training side of the equation. Those combat air force units not expected to deploy—the majority of fighter and bomber units—will only continue to fly until unit-level depletion of their flying hour funds, which could occur as early as mid-May 2013. Mobility air forces will experience training degradations in airdrop and air refueling, affecting both joint and international partners, with unit O&M funds potentially running out in July 2013. Lost training currencies from unit stand downs would require six months to a year to return to current sub-optimal levels, with desired flying proficiency for crewmembers requiring even longer. This restoration would require additional funding beyond expected FY14 levels, necessitating further cuts in other areas.

³Joint and international exercises like COPE TIGER, RED FLAG, GREEN FLAG, TALISMAN SABER, COMMANDO SLING, COPE WEST, and NORTHERN EDGE would likely be cancelled.

The Air Force pilot training pipeline is particularly sensitive to these types of disruptions. On April 1, 2013, Air Education and Training Command will curtail advanced flight training courses, freeing up resources necessary to protect initial qualification flight training. Despite those actions, initial qualification flight training may also stand down in early September 2013, or perhaps earlier depending upon the impact of civilian Airmen furloughs. The cascading effects of stoppages like these could result in future pilot shortages that could take over a decade to remedy.

Sequestration will also affect weapons system sustainment by deferring 30 percent of the remaining depot maintenance in the current fiscal year, representing about 18 percent of the fiscal year's total effort. These depot delays affect over 30 aircraft types and weapons systems across the Total Force and will require the grounding of some of the affected aircraft.⁴ The deferments equate to a 33 percent depot workload reduction, resulting in idled production shops, a degradation of workforce proficiency and productivity, and corresponding future volatility and operational costs. Most importantly, all of this deferred maintenance simply slides all future work to the right, further delaying functional, safe equipment to the warfighter. Full recovery from this kind of depot pipeline disruption could take as long as six to ten years.

All of these longer-term impacts from sequestration negatively affect Air Force full spectrum readiness at a time when we've been striving to reverse a ten-year declining trend in this critical area. The unique characteristics of airpower include range, speed, flexibility, precision, lethality and persistence. These characteristics depend deeply on having a force ready to operate at a moment's notice. It is unconscionable that we would throw away the required readiness that is at the heart and soul of airpower's enduring value to the Nation and the Joint force rather than come together to provide a more precise, thoughtful, and effective budgetary solution.

These longer-term actions would only achieve an additional \$3.4 billion of the projected reductions required by sequester, driving the remaining \$6.1 billion into Air Force modernization and investment accounts, effectively mortgaging our future health to pay today's avoidable bills.

These sequestration cuts to Air Force modernization investments, if applied at the program, project, and activity level as planned, impact every one of the Air Force's investment programs. Coupled with a year-long continuing resolution, sequestration disrupts weapons system program strategies, cost, and schedules, creating significant changes across the Future Years Defense Program (FYDP). For example, the F-35A low rate initial production would see reductions of at least two aircraft from the requested 19 in FY13. Such potential reductions not only drive up unit costs—resulting in FY14 production funding shortfalls—they also delay follow-on software and flight

⁴ Sequestration will induce 146 depot delays affecting over 30 aircraft types and weapons systems, including the C-17, C-130, F-15, F-16, KC-135, B-52, A-10, and E-8 JSTARS. 85 engines will also be pulled from service.

testing. Test and evaluation delays could increase total test costs three-fold across all programs, and delay delivery of critical capability to U.S. servicemen and women in the field. Our innovative acquisition strategy for complex space systems—efficient space procurement—is also at risk by jeopardizing cost efficiencies. For example, an estimated \$1 billion in savings within this strategy for the Space Based Infrared Radar System (SBIRS) would be lost, with no funds budgeted in the out years to recover the program.

Each of these long-term investment account disruptions negate thousands of man-hours spent on planning, implementing, and managing complex programs intended to best balance the efficiency of taxpayer dollar expenditure with the effectiveness of capability creation to fulfill the Defense Strategic Guidance. Inflicting a sledgehammer blow to the planned execution of these programs through the combined effects of the March 1 sequestration and a year-long continuing resolution harms both aspects of that precious balance. And over time, more taxpayer dollars would be spent to address the contract re-structures and time-delay inefficiencies that sequestration will induce, while delivery delays of validated capabilities infused with perishable technologies will only reduce our already-shrinking advantage over potential adversaries.

Considerations for the Future

Many of the adverse impacts of sequestration to Air Force operations are aggravated by the fact that we are still operating under a continuing resolution, now five months into the fiscal year. The absence of a final FY13 appropriations bill thrusts each military Service into a planning purgatory of sorts, clouding near- and long-term fiscal programming with a fog of ambiguity, and placing dozens of acquisition programs at risk.⁵ These implications are above and beyond those of sequestration, and further complicate an already overly-complex budgetary environment.

None of the actions the Air Force has taken in anticipation of sequestration have been easy, but the actions that will be necessary should it occur would be devastating. Although we will make every effort to minimize the impact of sequestration, in any form, to Airmen and their families, operational readiness, and force modernization, each of those areas will experience painful, palpable, and ultimately pricey disruptions. Additionally, to better position the Air Force to meet the many challenges of providing the effective airpower America expects, further base re-alignment and closure authority would generate significant infrastructure savings that might alleviate assumed risk in other areas. At a time when the Air Force is long-overdue for vital reconstitution following two decades of war, our inventory is aging, and our force is at its smallest since its inception. We find ourselves in the untenable trade space of forcing further risk

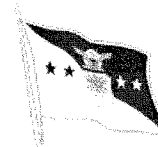
⁵ Unapproved “new starts” and “quantity increases” will affect acquisition programs like the F-35A, MQ-9, and SBIRS, as well as negating the ability to award a CV-22 multi-year program. An additional twenty-two scheduled Air Force construction and family housing projects will also not be awarded.

to our Nation's defense by sacrificing elements of three keys to the effective provision of airpower—Airmen, readiness, and modernization.

I am reminded of times like March 2011 when America's Air Force conducted simultaneous combat operations in Iraq and Afghanistan, homeland defense missions in America's skies, airlift missions in support of presidential diplomatic efforts in South America, short-notice and significant humanitarian aid to tsunami-ravaged Japan, all while providing 99 percent of operational airlift, 79 percent of in-flight refueling, 50 percent of airborne reconnaissance, and 40 percent of strike missions in support of a United Nations-sanctioned no-fly zone over Libya. The readiness effects we expect should sequestration occur will make executing multiple concurrent operations like these much more difficult, and in some cases impossible. History shows these kinds of demands for America's military will continue—it is my job to make sure the Air Force is ready.

I urge Congress to do all that is necessary to avert the arbitrary cuts of sequestration and to pass an appropriations measure for the current fiscal year. We owe it to America's sons and daughters, who put their lives on the line whenever and wherever their Nation asks, to care for their families, provide them sufficient training, and equip them to a position of advantage over all potential adversaries.

GENERAL MARK A. WELSH III



BIOGRAPHY

UNITED STATES AIR FORCE

GENERAL MARK A. WELSH III

Gen. Mark A. Welsh III is Chief of Staff of the U.S. Air Force, Washington, D.C. As Chief, he serves as the senior uniformed Air Force officer responsible for the organization, training and equipping of 690,000 active-duty, Guard, Reserve and civilian forces serving in the United States and overseas. As a member of the Joint Chiefs of Staff, the general and other service chiefs function as military advisers to the Secretary of Defense, National Security Council and the President.

General Welsh was born in San Antonio, Texas. He entered the Air Force in June 1976 as a graduate of the U.S. Air Force Academy. He has been assigned to numerous operational, command and staff positions. Prior to his current position, he was Commander, U.S. Air Forces in Europe.



EDUCATION

1976 Bachelor of Science degree, U.S. Air Force Academy, Colorado Springs, Colo.
 1984 Squadron Officer School, by correspondence
 1986 Air Command and Staff College, by correspondence
 1987 Master of Science degree in computer resource management, Webster University
 1988 Army Command and General Staff College, Fort Leavenworth, Kan.
 1990 Air War College, by correspondence
 1993 National War College, Fort Lesley J. McNair, Washington, D.C.
 1995 Fellow, Seminar XXI, Massachusetts Institute of Technology, Cambridge
 1998 Fellow, National Security Studies Program, Syracuse University and John Hopkins University, Syracuse, N.Y.
 1999 Fellow, Ukrainian Security Studies, John F. Kennedy School of Government, Harvard University, Cambridge, Mass.
 2002 The General Manager Program, Harvard Business School, Harvard University, Cambridge, Mass.
 2009 Fellow, Pinnacle Course, National Defense University, Fort Lesley J. McNair, Washington, D.C.
 2009 Leadership at the Peak, Center for Creative Leadership, Colorado Springs, Colo.

ASSIGNMENTS

1. August 1976 - July 1977, Student, undergraduate pilot training, Williams Air Force Base, Ariz.
2. July 1977- January 1981, T-37 Instructor Pilot and class commander, Williams AFB, Ariz.
3. January 1981 - May 1981, Student, fighter lead-in training, Holloman AFB, N.M.
4. May 1981 - August 1981, Student, A-10 training, Davis-Monthan AFB, Ariz.
5. August 1981 - May 1984, Instructor pilot, Flight Commander and wing standardization and evaluation Flight Examiner, 78th Tactical Fighter Squadron and 81st Tactical Fighter Wing, Royal Air Force Woodbridge, England
6. May 1984 - June 1987, Commander, Cadet Squadron 5, later, executive officer to the Commandant of Cadets, U.S. Air Force Academy, Colorado Springs, Colo.
7. June 1987 - June 1988, Student, Army Command and General Staff College, Fort Leavenworth, Kan.
8. June 1988 - October 1988, Student, F-16 conversion training, Luke AFB, Ariz.

GENERAL MARK A. WELSH III

9. October 1988 - July 1992, Operations Officer, 34th Tactical Fighter Squadron, later, Commander, 4th Tactical Fighter Squadron, Hill AFB, Utah
10. July 1992 - June 1993, Student, National War College, Fort Lesley J. McNair, Washington, D.C.
11. June 1993 - June 1995, Chief, Defense and Space Operations Division, Operations Directorate (J3), Joint Staff, the Pentagon, Washington, D.C.
12. June 1995 - April 1997, Commander, 347th Operations Group, Moody AFB, Ga.
13. April 1997 - June 1998, Commander, 8th Fighter Wing, Kunsan Air Base, South Korea
14. June 1998 - June 1999, Commander, College of Aerospace Doctrine, Research and Education, Maxwell AFB, Ala.
15. June 1999 - September 2001, Commandant of Cadets and Commander, 34th Training Wing, U.S. Air Force Academy, Colorado Springs, Colo.
16. September 2001 - April 2003, Director of Plans and Programs, Headquarters U.S. Air Forces in Europe, Ramstein Air Base, Germany
17. April 2003 - June 2005, Director of Global Power Programs, Office of the Assistant Secretary of the Air Force for Acquisition, Headquarters U.S. Air Force, Washington, D.C.
18. June 2005 - June 2007, Deputy Commander, Joint Functional Component Command for Intelligence, Surveillance and Reconnaissance, U.S. Strategic Command, Bolling AFB, Washington, D.C.
19. July 2007 - August 2008, Vice Commander, Air Education and Training Command, Randolph AFB, Texas
20. August 2008 - December 2010, Associate Director of the Central Intelligence Agency for Military Support/Associate Director for Military Affairs, Central Intelligence Agency, Washington, D.C.
21. December 2010 - July 2012, Commander, U.S. Air Forces in Europe; Commander, Air Component Command, Ramstein Air Base, Germany; and Director, Joint Air Power Competency Center, Ramstein Air Base, Germany
22. August 2012 - present, Chief of Staff, Headquarters U.S. Air Force, Washington, D.C.

SUMMARY OF JOINT ASSIGNMENTS

1. June 1993 - June 1995, Chief, Defense and Space Operations Division, Operations Directorate (J3), Joint Staff, the Pentagon, Washington, D.C., as a lieutenant colonel and a colonel
2. June 2005 - June 2007, Deputy Commander, Joint Functional Component Command for Intelligence, Surveillance and Reconnaissance, U.S. Strategic Command, Bolling AFB, Washington, D.C., as a major general
3. August 2008 - December 2010, Associate Director for Military Affairs, Central Intelligence Agency, Washington, D.C., as a major general and a lieutenant general
4. December 2010 - July 2012, Commander, U.S. Air Forces in Europe; Commander, Air Component Command, Ramstein Air Base; and Director, Joint Air Power Competency Center, Ramstein Air Base, Germany, as a general

FLIGHT INFORMATION

Rating: Command pilot
 Flight hours: More than 3,300
 Aircraft flown: F-16, A-10, T-37 and TG-7A

MAJOR AWARDS AND DECORATIONS

Defense Distinguished Service Medal with oak leaf cluster
 Distinguished Service Medal with oak leaf cluster
 Defense Superior Service Medal with oak leaf cluster
 Legion of Merit with oak leaf cluster
 Distinguished Flying Cross with oak leaf cluster
 Meritorious Service Medal with two oak leaf clusters
 Air Medal with oak leaf cluster
 Aerial Achievement Medal
 Joint Service Commendation Medal
 Air Force Commendation Medal

EFFECTIVE DATES OF PROMOTION

Second Lieutenant June 2, 1976
 First Lieutenant June 2, 1978
 Captain June 2, 1980
 Major May 1, 1985
 Lieutenant Colonel June 1, 1989

GENERAL MARK A. WELSH III

Colonel Feb. 1, 1994

Brigadier General Aug. 1, 2000

Major General Aug. 1, 2003

Lieutenant General Dec. 9, 2008

General Dec. 13, 2010

(Current as of August 2012)

Not public until released by the
House Armed Services Committee

**STATEMENT OF
GENERAL JAMES F. AMOS
COMMANDANT OF THE MARINE CORPS
BEFORE THE
HOUSE ARMED SERVICES COMMITTEE ON
THE IMPACT OF SEQUESTRATION
13 FEBRUARY 2013**

Not public until released by the
House Armed Services Committee

Introduction

As a nation and as a department, we are entering difficult times. My fellow service chiefs and I are here to talk about the potential impacts of both the current continuing resolution (CR) and sequestration and the resulting fiscal impacts. We are here to talk about the challenges that have already presented themselves as a result of the CR, and the further disruptive impacts of pending sequestration. I think it is important, however, to start with some things that will not change. All Marines, including their Commandant, believe in the criticality of our role in the defense of our nation. Our Marines in the valleys of Afghanistan, afloat on amphibious ships, standing their posts at our embassies, and training for war at home... all remain at their posts. We are highly cognizant of the global stage upon which our collective actions will be scrutinized, and we share the concern of all that even the perception of a disruption of our nation's ability to protect its global interests will have strategic consequences.

As Commandant, I assure you that we will do everything in our power to ensure the continued security of the American people, to protect the global interests that underpin our prosperity; we will meet our responsibilities for rapid response to crisis wherever it may occur. Marines will be *always faithful* to the trust which the American people have vested in them. You have my pledge that I will do everything within my authorities to maintain that forward deployed and ready force, period. Already a lean organization, your Marines will continue to give you the best capability that can be squeezed from the resources you allocate for our nation's defense.

Resources and Readiness

Struggling under the CR funding levels for operating and investment accounts, which are much lower than the request, the prospect for even deeper reductions from sequestration in this fiscal year is alarming. There should be no misunderstanding; the combined effect of the continuing resolution and sequestration will have a significant effect on the global security climate, the perceptions of our enemies, and the confidence of our allies. In a *new normal* of brushfire instabilities, violent extremism, non-state threats and struggling sovereign entities, the role of the United States as a leader in the protection of the international order is central. The effects that our armed forces create in this global environment are measured in ready crisis response forces, ships at sea, planes in the air, partnerships on the ground and trust among our allies. In a word, our propensity to remain a global leader in a challenging world is measured in READINESS. Readiness is the aggregate of the investment in personnel, training, and equipment to ensure that units are prepared to perform missions at any given time. Our ability to project a ready force is measured by friend and foe alike. Their reactions, and the impacts on the international order upon which our prosperity and security depend, are a direct reflection of the readiness of our forces.

The linkage between resources and readiness is immediate and visible. While I think all can agree that defense resources must be highly scrutinized as our nation finds its fiscal footing, the scale and abrupt implementation of prospective resource changes have the potential for devastating impacts on readiness. This is not a temporary condition. Impacts on readiness have primary, secondary and tertiary effects. While the primary effects on short-term readiness will be observable immediately, the longer-term effects may be even more devastating. Under the continuing resolution at FY12 resource levels, I have already been forced to realign funds from longer term

activities within the O&M account to protect the short-term readiness of our combat deployed Marines, and those on the forward edge of our nation's ability to respond swiftly when crisis erupts. While these short term adaptations are possible, the short-term readiness of our current forces comes at the expense of those who will follow in their footsteps. In a sense, we are eating our 'seed corn' to feed current demands, leaving ever less to plant for the enduring security demands of the nation.

Without action from Congress to address the magnitude of defense resource changes, the abrupt nature of the imposition of reductions, and the severe inflexibility in their implementation, the nation will experience significantly degraded defense readiness. The strategic impacts will be immediate and global.

Marine Corps Readiness Degradation

The Defense Strategic Guidance remains a clear articulation of future threats, challenges, and opportunities - I continue to support its full implementation. In the event of an annualized CR, the Marine Corps faces a \$406 million reduction in its Operation and Maintenance budget relative to the President's FY 2013 Budget. This will create immediate challenges in maintenance, training, and base operations accounts. Given the looming specter of sequestration in addition to the CR, we face an extended period of severely constrained spending driven by rules that provide little flexibility to efficiently apply the mandated reductions. Analyzing and applying constrained resources requires decisions now; decisions that will have strategic impact.

By the will of the 82nd Congress, the Marine Corps is mandated to be the nation's expeditionary force in readiness. Having been dubbed "America's 911 Force," we are our nation's hedge against uncertainty...a national insurance policy of sorts. As such, deployed forces, and units in training alike, are poised to swiftly respond to crisis and disaster, giving immediate options for strategic decision-makers...all while buying time for the generation of the larger joint force. We mitigate the risk inherent in an uncertain world by being ready to respond to today's crisis -- with today's force -- today. Even when not deployed, Marine units are required to maintain higher levels of readiness, so they can deploy on short notice. "Tiered readiness," where resources from non-deployed units are paid-forward to ensure that deployed and next-to-deploy units have sufficient personnel, equipment, and training to accomplish their mission, is a recipe for a hollow force. Over time, tiered readiness leads to an unacceptable degradation in unit readiness. This is not compatible with the ethos, role, or missions of our nation's expeditionary force in readiness.

Our Marines on the forward edge of our nation's security remain my number one priority. The forces that currently support the Afghanistan mission, those engaged in countering terrorism globally, and those preparing to go, will receive the full support they need. This has my full attention. Protection of support services for our wounded warriors and their families also remains a high priority. Our focus on deployed forces, families, and our wounded warriors, comes at a cost. Under the continuing resolution, I have been forced to degrade activities necessary to the long-term readiness of the force, such as organizational and intermediate maintenance of equipment returning to theater, to ensure the full support to our most engaged units. For forces not deploying to Afghanistan, the fuel, ammunition, and other support necessary for training

will be reduced precluding our ability to provide fully trained individuals and ready units to meet emerging crises – ultimately impacting even the Amphibious Ready Group and our Marine Expeditionary Units. The looming specter of sequestration, if not addressed, amplifies this impact. To keep our Marines in the field, we are already being forced to reduce depot maintenance of our equipment, reduce our participation in training exercises, reduce equipment buys and curtail modernization programs. Despite the constrained funding resulting from the CR and sequestration, in the next six months we will be able to continue meeting Marine Corps deployed warfighting needs and the training of next-to-deploy forces. Between six and twelve months, however, we'll continue to decrement readiness accounts with ever increasing erosion of home station unit readiness and force modernization, and begin to show small impacts in next-to-deploy forces. Beyond 12 months we will see a real impact to all home station units (e.g. fixed wing squadrons will have on average only four of twelve assigned aircraft on the ramp due to aviation depot shutdowns) and the beginning of impacts to our next-to-deploy and some deployed forces – in all a slide to a hollow force we have fought so hard to avoid.

It is important to note that sequestration has significant impacts well beyond this current year. Viewing sequestration and its impact solely in FY13 abrogates our responsibility to ensure long-term readiness of the force. The Marine Corps manages the long-term health and readiness of the force by balancing resources across five broad pillars: high quality people, near-term unit readiness, capability and capacity to meet Combatant Commander requirements, infrastructure sustainment, and equipment modernization. Maintaining balance across all five of these pillars is critical to achieving and sustaining Marine Corps readiness. Actions we are being forced to take to ensure our short-term readiness (e.g. transferring facilities sustainment funding to support operations and equipment maintenance) are creating an imbalance across these pillars and will result in both near and far-term readiness shortfalls. The entirety of your Marine Corps' ground material modernization investment accounts for this FY contains only \$2.47 billion, comprising a mere 12% of our baseline budget. Due to our small numbers, further reductions in the ground investment accounts, although perhaps proportional to the other services, will have disproportional impact on Marine Corps readiness, especially as it pertains to limited essential modernization.

Marine Corps readiness is at a tipping point in the sense that our ability to rebalance funding from long-term investments to short-term readiness is becoming unsustainable. By the end of calendar year 2013, less than half of our ground units will be trained to the minimum readiness level required for deployment. The impact on our aviation units is not any better. Only two thirds of our aviation combat units will be at readiness levels required for overseas deployment; decreased readiness will compound in 2014 and beyond. In order to maintain our forward deployed "fight tonight" units at acceptable readiness levels, we will fall well below the minimum number of flight hours at home necessary to retain minimum safe flight standards and warfighting capabilities. We will have to reduce our Theater Security Cooperation and exercise support by 30% in the Asia Pacific region, opening the door to those who would gladly take our place in global leadership. In doing so, we will markedly limit bilateral and multi-lateral engagement opportunities, thus putting our credibility at risk with our allies and partners. The void left by our "actual absence," where we may be needed most, will be filled by somebody...some other nation or entity.

Containing the Damage

We have worked diligently to mitigate the effects of the CR, slowing the rate of expenditures across our accounts to ensure sufficient funding for the entire fiscal year and to better prepare for the potential effects of sequestration. Our task has been made more challenging by the ever increasing demand for Marines. A resumption of the Marine Unit Deployment Program in the Pacific has reestablished a key component of the nation's stabilizing presence in the Asia Pacific region. The establishment of a rotational presence of Marines in Darwin, Australia has already had a positive impact on the confidence of our allies and our ability to respond to crises in the South and Southeast Asian littoral. The planned ramp-up of Marine security forces for our embassies and consulates is a necessary artifact of the "new normal." Marines are in high demand to support the growth of special operations and cyber forces as well. Together, the increased requirement for Marines around the globe, combined with the reduced funding associated with an annualized CR, has created a Marine Corps funding shortfall of \$945 million in FY13.

To preserve the ability to operate throughout the entire fiscal year and prevent immediate reductions in depot workforce, cyber activities, base security, and ongoing training and exercises we reallocated second quarter fiscal resources from lesser priority funding. We have curtailed all but mission-essential travel and conferences. We have slowed expenditure rates below those required to maintain our current readiness levels, and have reduced depot funding and facilities sustainment, restoration and modernization spending. We have delayed major contracting actions until later in the fiscal year, where feasible, to give us a hedge against our worst-case fiscal scenario – CR and sequestration. Had we not taken these actions, we would have exhausted our operations and maintenance resources in early to mid-August with no way to pay for even our deploying and next-to-deploy forces' readiness.

As an example of our funding slow down, we are delaying obligation of MRAP support funding as we validate essential operational requirements. We reduced civilian personnel budget caps and allowed commanders to determine priority hiring within these reduced spending levels, even though they are still recovering from a previously instituted 14-month long Marine Corps wide hiring freeze in 2011 and 2012. This funding reduction reduced planned civilian personnel expenditures by \$38 million and will result in the Marine Corps being approximately 400 civilians short of our intended FY 13 civilian workforce end strength. Some essential programs at our bases and stations, such as our Wounded Warrior programs, will continue while other, less critical programs such as Tuition Assistance and Off Duty Education are reduced or eliminated as the resources necessary to maintain faith with our Marines and their families are used to fund readiness. While no decisions on furloughs have been made, we have published guidance across the Marine Corps to plan for reduction in temporary and term employees, and for potential furloughs of civilian personnel. The potential extensive and deleterious human and family effects associated with furloughing our civilian Marines are unthinkable, but in the event they are unavoidable, we must do prudent planning. Beyond the individual impact of furloughs to our civilian Marines, the impact on everything from readiness at Marine Special Operations Command, the readiness impacts at our Depots and our bases and stations, to the readiness impacts on our Wounded Warrior and family programs is significant. Our civilian Marines are not simply headquarters staff personnel in the Pentagon. Rather, 95% of our civilian workforce

comes to work every day outside the National Capitol Region and performs invaluable functions that keep our Marine Corps ready and contribute directly to our warfighting effectiveness.

Although barely sufficient to mitigate the immediate impacts of an annualized CR, these actions are in no way sufficient to cover the additional fiscal impact of sequestration in FY13. Sequestration is expected to impose nearly an additional billion dollars in resource reduction to the Marine Corps this year. This will drive irreversible readiness impacts, especially when viewed through a long-term lens. The inflexibility of sequestration and discretionary cap reductions in the Budget Control Act of 2011, if allowed to occur, would trigger cascading cuts in our operating budgets through 2021. Many initiatives will be unfunded or underfunded given our potential resourcing levels. Here are some specific examples of actions I will be forced to take due to the combined effects of the CR and sequestration:

- Reduce depot funding to 27% of the identified requirement, thus decreasing throughput of depot level maintenance for organizational equipment, and delaying our ability to reset war-torn equipment by eighteen months or more
- Park over eighty aircraft as depot maintenance schedules are stretched out
- Reduce support to theater geographic combatant commander requirements for shaping their theaters, responding to crisis and preventing conflict
- Reduce participation in multi-national training exercises, degrading one of the most effective investments in building partner nation capacity
- Degrade training for deploying units due to lack of fuel, equipment and spare parts
- Cut ammunition allocations for gunner certification and training
- Cut flight hours available for pilot proficiency, safety, and certification
- Reduce facility maintenance to 71% of the requirement
- Delay Marine Corps contributions to Joint special operations and cyber forces
- Further reduce an already thinned civilian workforce
- Severely curtail or extend acquisition programs
- Reduce organizational activities including recruiting, range-maintenance, family-housing maintenance and quality of life enhancements for military families
- Curtail safety and base security investments
- Cut educational investments in the human capital of our uniformed and civilian workforce
- Reprioritize an entire year of Military Construction projects into FY 14 and beyond. Given the current fiscal limitations, some could be delayed or deferred or may be cancelled. When reductions in facilities sustainment are compounded with the inability to execute our planned Military Construction program for FY 13, we are faced with a situation where we have severely impacted planned aviation unit lay-downs associated with the MV-22 and F-35B, as well as other critical projects at home and in the Pacific.
- Delay major procurement programs such as Ground/Air Task Oriented Radar, Joint Light Tactical Vehicle, and Amphibious Combat Vehicle resulting in the possibility of Nunn-McCurdy breaches, Initial Operational Capability delays, and increased unit and total program cost.
- Cancel major multi-year procurements such as the MV-22 and incur greater cost and program delay in future program buys

Congressional Action

I have identified the very real impacts of the CR and the potential further impacts of sequestration. Congress can take actions in three areas that can lessen the impact and hopefully make less draconian implementation of reductions to the defense program:

- Review the magnitude of the total Defense reductions over the ten years of sequestration and ensure the impacts to readiness and a sustainable national defense are well understood and strategically acceptable;
- Pass a FY 13 appropriation bill that ameliorates to the greatest extent possible the adverse impacts of the continuing resolution; and
- If a FY 13 appropriation bill is unachievable, enhance the ability of the Services to optimize continued readiness under the current resource caps by allowing for reallocation or re-baselining of funds providing increased transfer and reprogramming authorities in the annualized CR, and include the ability to execute critical multi-year procurements such as the MV-22 and provide for FY 13 military construction projects

As part of either a FY 13 appropriation or an annualized CR, it will be necessary to arrest extra inflationary personnel cost growth in order to maintain a balanced portfolio and a capable force. Recently, the Joint Chiefs of Staff offered a number of well-developed and thoughtful proposals to slow or reduce the growing cost of our personnel accounts. I urge you to review these proposed adjustments to pay raises, housing entitlements, tuition assistance and TRICARE premiums. We must consider these critical cost reducing actions in order to continue to meet the nation's defense requirements, take care of our people, and do so in a manner that retains the most ready, sustainable and capable all volunteer force we have had across the proud history of this nation.

Conclusion

Our actions to resource the defense of our national and global interests will have strategic consequences. Our foes, cunning and adaptive, watch carefully for any decline in American ability or willingness to lead in a partnered global order that supports the common good. The continued prosperity and security interests of our nation are dependent on resourcing long-term success.

While Congress and this committee carefully executes their responsibility to validate every taxpayer dollar they appropriate to our nation's defense, I can assure you that the Marine Corps will continue to uphold our share of this responsibility as a sacred trust. Our reputation as the "frugal force" comes from an ethos that values both high combat readiness, and careful stewardship. The Marine Corps will ask only for what it needs, not for what it wants. I am committed to building the most ready Marine Corps that the nation can afford. The current fiscal uncertainty and the implementation restriction of sequestration prevent realizing this commitment and threaten to force our retrenchment from those global issues and areas that are still of critical importance to America. Working together, we can map out a resource strategy that protects our global interests as a nation, keeps faith with our service-members, and provides the greatest value to the American people. I thank you for the opportunity to engage in this dialogue, for your service to our nation, and for your continued support to your Marines. Semper Fidelis.



General James F. Amos
Commandant of the U.S. Marine Corps



On October 22, 2010 General James F. Amos assumed the duties of Commandant of the Marine Corps. General Amos was born in Wendell, Idaho and is a graduate of the University of Idaho. A Marine Aviator, General Amos has held command at all levels from Lieutenant Colonel to Lieutenant General.

General Amos' command tours have included: Marine Wing Support Squadron 173 from 1985-1986; Marine Fighter Attack Squadron 312 – attached to Carrier Air Wing 8 onboard USS Theodore Roosevelt (CVN-71) – from 1991-1993; Marine Aircraft Group 31 from 1996-1998; 3rd Marine Aircraft Wing in combat during Operations IRAQI FREEDOM I and II from 2002-2004; II Marine Expeditionary Force from 2004-2006; and Commanding General, Marine Corps Combat Development Command and Deputy Commandant, Combat Development and Integration from 2006 to July 2008. Additional operational tours have included Marine Fighter Attack Squadrons 212, 235, 232, and 122.



General Amos' staff assignments have included tours with Marine Aircraft Groups 15 and 31, the III Marine Amphibious Force, Training Squadron Seven, The Basic School, and with the MAGTF Staff Training Program. Additionally, he was assigned to NATO as Deputy Commander, Naval Striking Forces, Southern Europe, Naples Italy where he commanded NATO's Kosovo Verification Center, and later served as Chief of Staff, U.S. Joint Task Force Noble Anvil during the air campaign over Serbia. Transferred in 2000 to the Pentagon, he was assigned as Assistant Deputy Commandant for Aviation. Reassigned in December 2001, General Amos served as the Assistant Deputy Commandant for Plans, Policies and Operations, Headquarters, Marine Corps. From 2008-2010 General Amos was assigned as the 31st Assistant Commandant of the Marine Corps.

General Amos' personal decorations include the Navy Distinguished Service Medal, Defense Superior Service Medal, Legion of Merit with Gold Star, Bronze Star, Meritorious Service Medal, Joint Service Commendation Medal, and the Navy and Marine Corps Achievement Medal.

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STATEMENT BY

GENERAL FRANK J. GRASS

CHIEF, NATIONAL GUARD BUREAU

BEFORE THE

HOUSE ARMED SERVICES COMMITTEE

FIRST SESSION, 113TH CONGRESS

ON

**IMPACT OF SEQUESTRATIONS AND A FULL YEAR
CONTINUING RESOLUTION ON THE DEPARTMENT OF
DEFENSE**

FEBRUARY 13, 2013

NOT FOR PUBLIC DISSEMINATION
UNTIL RELEASED BY
THE HOUSE ARMED SERVICES COMMITTEE

Opening Remarks

Chairman McKeon, Ranking Member Smith, distinguished members of the Committee; I am honored to appear before you today, representing more than 460,000 Citizen-Soldiers and Airmen in the Army and Air National Guard. The National Guard stands poised to fully implement its authorities, to execute its responsibilities, and to build upon its 376-year legacy as an operational force deeply engrained within the foundation of American strength and values. The Citizen-Soldiers and Airmen serving from throughout the nation, its communities, the states, territories and the District of Columbia contribute daily to our nation's overseas and domestic security objectives.

Sequestration Generally

As I stated in my remarks to this Committee last year, I believe sequestration will be devastating to the Department of Defense and the National Guard. Today's dynamic and difficult fiscal conditions require the Department of Defense to deliberately make tough choices and live within our means. The convergence of the potential March 1 and March 27 sequestrations and a Continuing Resolution reduces the Department's ability to make those choices and institutes debilitating across the board cuts. This, will no doubt have devastating impacts on our force as an operational reserve.

The National Guard

Today's fiscal environment requires that the Reserve Components be maintained as an operational force. This means the National Guard has to be trained, ready, and equipped to face the full spectrum of threats facing our nation. The investment made in today's National Guard, particularly since 9/11, has produced a proven operational force equally adept on the battle field and in performing our domestic response mission, often within hours of an emergency. It has also produced an agile and skilled force postured to embrace new missions outlined in the President's strategic defense vision.

The National Guard remains ready-every day, to expand the capacity of the President and our Governors to meet the needs of our people whether it is shaping the security environment, engaging across the world and within our communities, or bringing full-spectrum military power during times of critical need. National Guard forces today are deployed to Sinai, Kosovo, Afghanistan, and many hot spots around the world. Additionally, over the weekend National Guardsmen responded to the winter storm in the Northeast and are winding down Hurricane Sandy response activities.

The National Guard is committed to remaining an operational force for use both at home and abroad, but this unique budgetary environment threatens the investment made to build and preserve this capability.

While National Guardsmen provide a unique dual capability to State and Federal leaders at a lower cost than the Active Component, sequestration will erode the improvements in the National Guard's operational capability made since 9/11. The National Guard will be unable to properly address the training and equipping needed to sustain an operational force. Sequestration will harm the National Guard's ability to rapidly, robustly and competently expand the nation's full-spectrum military capability to defend vital national interests in the most affordable, lowest risk manner possible. This will result in a readiness crisis for our armed forces.

Specific Sequestration and Continuing Resolution Impacts

Within the National Guard the readiness crisis caused by sequestrations on March 1 and March 27 and a full year Continuing Resolution will have an immediate and lasting impact. Although National Guard war-fighters will continue to receive support, the ability to provide ready forces to respond to disasters in support of our nation's governors and to meet our federal obligations will be negatively impacted; simply our ability to protect and defend the Homeland will be significantly hindered. In addition to the statements made by the Chiefs of Staff of the Army and Air Force regarding the impact to the Total Force, four priority areas directly related to readiness of the National Guard will be severely impacted: Personnel; Equipment Maintenance; Facility Maintenance; and Training.

Personnel

Under sequestration, approximately 115,000 traditional National Guard forces will not receive their annual medical or dental examinations. This reduction in examinations will bring total force medical readiness down by 39 percent. Much of the investment made in medical readiness and the operational force as a whole since 9/11 will be lost. Within one year, readiness will be degraded to pre war levels.

The National Guard has a unique civilian workforce, distinctly different from the Active Component. Under sequestration, the civilian workforce faces potential furlough. These civilians, most of whom are also traditional members of the National Guard, support the maintenance and training of Soldiers and Airmen. On a day-to-day basis, Military Technicians and Civilian Employees support activities essential to the readiness and functioning of the largely part-time Citizen-Soldier force of the National Guard. This unique service provides the level of support and continuity necessary for the National Guard to support mobilizations, deployments, domestic operations, and maintain continuity of services for the National Guard members remaining in states during mobilizations and deployments. Furloughs of these essential personnel will further reduce the readiness of our people, equipment, facilities, and training.

Equipment

The Army will cancel or reduce depot level maintenance which includes the reset of equipment returning from deployment. The reset process ensures returning National Guard equipment is repaired and provides the maintenance needed to bring equipment back to Fully Mission Capable Status. Additionally, reductions in maintenance accounts will limit the availability of parts and labor to mitigate this issue. National Guard units will return to their States with equipment in a low state of readiness and it may not be available to the unit to support State authorities in response to tornados, floods, or wildfires, or a complex catastrophe.

Similarly, the Air National Guard may not have the equipment available to respond to a new contingency. The Air National Guard will have to “park” aircraft due to reduced funding for flying hours. Additional cuts in weapon systems sustainment will result in an Air National Guard fleet may be less able to respond on a short notice to domestic and overseas contingencies.

Facilities

The National Guard is located in over 3,000 communities across the country, and our readiness is dependent upon maintaining modern facilities. The numerous National Guard facilities are crucial for training a geographically disperse force. The Army National Guard will face a reduction in each Fiscal Year 2013 military construction project. Project

reductions will require a reduction in physical scope and cost additional dollars in planning and design in order to redesign to the reduced scope (lost scope impacts organizational parking, unit storage, and common space such as drill halls). Redesign will result in execution delays which, in turn, impact availability of facilities for training. Further, reductions in funding to maintain and repair existing facilities will result in inadequate resources to support Soldiers. Routine and preventative maintenance will suffer causing greater damage to the quality of National Guard facilities.

Sequestration will also directly impact contracts that are imbedded in our cooperative agreements with the states. The National Guard maybe unable to maintain all contracts that support facilities and provide members of the community with jobs in security, fire fighting, grounds keeping, custodial work, snow and ice removal, and building maintenance and repair. Cancelling or reducing these contracts will also cost the National Guard additional funds above those lost to sequestration as a result of penalties.

Training

Training will be impacted by the reduction of ready equipment and the personnel who support those training events. The lack of equipment and personnel will limit ground level training; battalion and brigade level training will only occur for deploying units, while all other units will only train at the platoon level. As the Active Army reduces or cancels full

spectrum training rotations, there will be fewer opportunities for total force training for members of the Army National Guard. The Army will cancel all Combat Training Center rotations and Division Warfighter Exercises except for training for deploying units. Fifteen Field Artillery classes will also be cancelled by the Army. Further reductions in Basic Combat Training will result in drastic reductions in the number of deployable Soldiers. Within the Air National Guard, the number of flight training missions will also be reduced as training flights are cancelled and as flying hours are allocated for priority missions. Under sequestration most flying units will be below acceptable readiness standards by the end of this fiscal year.

Closing Remarks

As the Chief of the National Guard Bureau, I want to thank you for your continued support of our Citizen-Soldiers and Airmen. We currently have the best trained, best equipped, best led, and most combat tested National Guard in our 376 year history. We see this force as essential not only to the Army and Air Force, but as the dual-use asset for our communities here at home.

Your support is needed more than ever today, to mitigate the impacts of Sequestration. Without Congressional action, these across the board cuts will impact the National Guard's ability to meet steady state demands and act as a strategic hedge for unforeseen world events. I look forward to your questions.



General Frank J. Grass
Chief, National Guard Bureau



General Frank J. Grass serves as the 27th Chief, National Guard Bureau and as a member of the Joint Chiefs of Staff. In this capacity, he serves as a military adviser to the President, Secretary of Defense, National Security Council and is the Department of Defense's official channel of communication to the Governors and State Adjutants General on all matters pertaining to the National Guard. He is responsible for ensuring that the more than 470,000 Army and Air National Guard personnel are accessible, capable and ready to protect the homeland and to provide combat resources to the Army and Air Force.

Prior to his current assignment, General Grass served as Deputy Commander, United States Northern Command and Vice Commander, United States Element, North American Aerospace Defense Command (USELEMNORAD) at Peterson Air Force Base, Colorado. As Deputy Commander, United States Northern Command, General Grass helped lead the command to anticipate, prepare and respond to threats and aggression aimed at the United States, its territories and interests within the assigned area of responsibility and as directed by the President or Secretary of Defense, provide Defense Support of Civil Authorities, including consequence management operations.



General Grass enlisted in the Missouri Army National Guard in October 1969. He attended the Missouri Army National Guard Military Academy Officer Candidate School and was commissioned in the Engineer Corps in 1981. He has served in a variety of command and staff positions as a traditional National Guard Soldier, in the Active Guard and Reserve program, and on active duty. In his first general officer assignment, he served as Deputy Director of the Army National Guard in Arlington, Virginia.

**WITNESS RESPONSES TO QUESTIONS ASKED DURING
THE HEARING**

FEBRUARY 13, 2013

RESPONSE TO QUESTION SUBMITTED BY MR. BISHOP

Secretary CARTER. As I mentioned previously, the Department has consistently stated and still does not anticipate having to terminate or significantly modify contracts as a result of sequestration. This is because most existing contracts are fully funded at the time of contract award; incrementally funded contracts would have to be reviewed on a case by case basis.

As a rule, the Department does not terminate fully-funded contracts if termination costs will not result in significant savings. During sequestration, cost savings will arise from buying less in the future rather than terminating contracts. We expect the Military Departments and Defense Agencies to de-scope some of their operations and maintenance-funded service contracts and subsequently make decisions not to exercise options or award follow-on contracts. An example is Navy's decision to delay overhauls. Another is the reduction in our base maintenance posture.

The Military Departments and the Defense Agencies will re-assess, program by program, their unobligated funding balances, their mission priorities, and critical needs, and make appropriate funding decisions. It will take some time to determine if there are any cost impacts and, if so, what they are, as decisions are made. [See page 40.]

RESPONSE TO QUESTION SUBMITTED BY MS. HANABUSA

Secretary CARTER. The budget reductions made under Secretary Gates as well as the budget cuts levied by the Budget Control Act of 2011 have all been applied to the Department of Defense's budget topline.

In the months leading to the release of the FY 2012 budget, Secretary Gates directed efforts within the military services, and in DOD as a whole to generate efficiency savings by reducing overhead costs, improving business practices, or culling excess or troubled programs. In total, DOD identified savings of \$178 billion in FY 2012–2016, including \$24 billion in FY 2012. The Services were allowed to reinvest \$100 billion of the \$178 billion savings to improve readiness and warfighting capabilities (“tail-to-tooth”) and the Defense topline was reduced \$78 billion in FY 2012–2016, including \$13 billion in FY 2012. The Budget Control Act levied an additional \$487 billion of cuts against the DOD topline, spread across fiscal years (FY) 2012–2021. The President insisted that the resulting defense cuts be driven by strategy and U.S. defense needs in the coming decade. The Department has taken a hard look at the new security environment and developed a strategy that appropriately allocates reduced defense resources to the highest priority needs and ensures our national security objectives are met. The FY 2013 Department of Defense budget was shaped by the strategic guidance and reflects key mission and capability priorities emerging from the strategic review. The strategy is executable with the resource levels currently detailed in the Budget Control Act, but the potentially severe cuts stemming from sequestration would seriously threaten the Department's ability to implement the strategic guidance. [See page 44.]

RESPONSE TO QUESTION SUBMITTED BY MR. TURNER

General DEMPSEY. The answer to your question on whether Russia is in compliance with its nuclear arms-control obligations is more complex than a simple yes or no. Treaty compliance is assessed and reported annually to Congress. Each year the Department of State leads an interagency examination of treaty compliance, the findings of which are provided to Congress in two reports. Condition (10) of the New START Treaty Resolution of Advice and Consent to Ratification calls for the President to submit a report to the Senate Committees on Foreign Relations and Armed Services not later than 31 January of each year. This report was released to Congress earlier this year. Additionally, the President's report on Adherence to and Compliance with Arms Control, Nonproliferation, and Disarmament Agreements and Commitments is submitted pursuant to section 403 of the Arms Control and Disarmament Act, as amended (22 U.S.C. § 2593a). This report is in final coordina-

tion and forthcoming but has not yet reached my desk for review. However, from my perspective, execution of New START is going well. We continue to work within the Bilateral Consultative Commission to resolve early interpretation issues, not unlike the pattern of the original START. I would note that the Treaty of Moscow was superseded by the New START Treaty and is no longer in force, and the Comprehensive Nuclear Test Ban Treaty, which the United States has not ratified, has not officially entered into force. [See page 49.]

RESPONSE TO QUESTION SUBMITTED BY MS. DUCKWORTH

Secretary CARTER. The DOD is not buying a new network, rather we are implementing technology refresh for an existing network (the Defense Information Systems Network, or DISN) that has existed for many years supporting the internal DOD IT capability, providing mission critical support to the Department and Intelligence Community and resulting in significant savings. The current effort is an initiative to improve efficiencies and more closely align with commercial trends and network evolutions.

The ongoing efforts to upgrade our network infrastructure are critical since the existing technologies and equipment used in our infrastructure are becoming obsolete and will soon not be supported (for example Asynchronous Transfer Mode) by the vendor community. The primary focus is to converge multiple, disparate physical and protocol networks into a common, standards-based network. Key to this is the implementation of Multi Protocol Label Switching (MPLS) technology as the standard network protocol. The technology refresh will begin this quarter using the existing technical refresh budget and the first instantiation is expected by the end of Calendar Year 2014. This will continue for several years. All security required is being provided via existing DISN encryption and security methodologies that meet or exceed all standards and requirements. Additionally, we are currently using an instantiation of this capability to support the National Geospatial-Intelligence Agency in Southwest Asia. [See page 46.]

QUESTIONS SUBMITTED BY MEMBERS POST HEARING

FEBRUARY 13, 2013

QUESTIONS SUBMITTED BY MR. MCKEON

Mr. MCKEON. In the event of a year-long Continuing Resolution, will the DOD's Title III Defense Production Act Advanced Drop-In Biofuel Production Project continue? Additionally, if sequestration were to occur, would this project proceed? If it does proceed, will there be any funding or program adjustments? Please provide details of those changes, if any.

Secretary CARTER. A. With respect to the impact of a Continuing Resolution (CR) for FY 2013:

1. Funding required for Phase 1 of the Defense Production Act Title III (approximately \$24 million) is from the FY 2012 appropriation. These funds are no-year, no-color funds that are valid until expended. The CR for FY 2013 funding does not restrict that action.

2. An additional \$6M was planned for Phase 1, but is not needed. These funds will be allocated to Phase 2, for a total of \$76M. These funds will not be impacted by a CR for FY 2013.

3. Beyond the now \$76M from FY 2012 available for Phase 2, \$70M was included in the FY 2013 budget request. If the CR does not reduce the FY 2013 request, there will be a total of \$146M for Phase 2, which would be obligated in middle CY 2014.

4. If a CR were to eliminate the FY 2013 request of \$70M, the \$76 million of FY 2012 funds will remain available for funding of Phase 2 of the project. This level of funding will enable selection of probably only one contractor for Phase 2, for the construction, initial operation, and verification of a biofuel production facility.

B. With respect to sequestration:

1. A total of \$170 million in FY 2012 and FY 2013 funding is budgeted for the Defense Production Act Title III Advanced Drop-In Biofuel Production Project. The execution plan calls for obligation of approximately \$24 million for Phase 1 of the FY 2012 appropriation (initial process verification, site selection, cost estimates, etc.) in March/April 2013, plus \$146 million (\$76 million FY 2012/\$70 million FY 2013) available for Phase 2 (construction, initial operation, verification of production operation, and costs of production) to be awarded in summer 2014 to at least one or possibly two contractors. Early Government and contractor estimates for execution of Phase 2 established an expected need for \$70 million of Title III funding for each phase 2 contractor.

2. Current DOD planning projects a nine percent sequestration reduction against the \$170 million for the Biofuel project, which will total \$15.3 million. The \$15.3 million reduction will be applied to the \$146 million allocated for Phase 2. Phase 1 will proceed as planned and funding of \$130.7 million will be available for the contractor(s) selected for Phase 2. The reduced Government funding may force higher cost shares on the part of the selected contractors or a reduction in the scope/scale of the Biofuel Phase 2 effort. It is likely that at least one contractor could be funded with available funds.

C. Restrictions imposed in the National Defense Authorization Act for Fiscal Year 2013

1. The NDAA (Sec. 315) provided specific direction that embargoes the \$70 million of biofuel funding in FY 2013, saying, "Sec. 315: Amounts made available to the Department of Defense pursuant to the Defense Production Act of 1950 (507 U.S.C. App. 2061 et seq.) for fiscal year 2013 for biofuels production may not be obligated or expended for the construction of a biofuel refinery until the Department of Defense receives matching contributions from the Department of Energy and equivalent contributions from the Department of Agriculture for the same purpose."

2. It is unclear at this time whether or when DOE will provide their share of the funding.

3. If FY 2013 funding is not available for the project, the nine percent sequestration reduction would restrict Phase 2 funding to \$67 million of the FY 2012 appropriation (\$76M from FY 2012 less ~\$9M of sequestration cut). The reduced Government funding may force slightly higher cost shares on the part of the selected contractor(s) or a reduction in the scope/scale of the Phase 2 effort.

Mr. McKEON. To delay sequestration for the rest of FY 2013, the President's plan would cut \$21 billion more from the military, plus the \$2 billion his proposal already cut from FY13 as part of the fiscal cliff deal. General Odierno, how would an additional \$23 billion cut to the military this year impact the readiness crisis you described in your testimony and would you support such a cut, assuming sequestration is not resolved, but merely delayed to October?

General ODIERNO. Additional reductions to our FY13 budget would create serious challenges because of the combined impact of sequestration, the CR, and the OCO shortfall. In a broad sense, our challenge is driven by a persistent lack of predictable funding evidenced by the Army operating under a continuing resolution for 14 of the last 28 months. Each continuing resolution prevents new starts for needed programs, limits reprogramming actions, and often results in wasteful funding for accounts that we no longer need. This year we are also facing a significant known shortfall in Overseas Contingency Operations (OCO) funding. These two facts are challenging propositions when taken in isolation, but together the impact is tremendous. Add to this the potential of sequestration and the impact is devastating. The proposal to delay sequestration until next fiscal year and replace it with a smaller reduction this year does little to help us address our current problems and brings no clarity to the Army's future funding levels.

It is difficult to state the detailed impacts to the Army of a \$23 billion reduction in FY13 because the bill would be apportioned to the Services by OSD. It would further depend on how the reductions were stipulated in the law (i.e., directed by appropriation or a topline reduction). Regardless, Army readiness will still likely suffer in the near-term as this reduction would be in addition to the current shortfall of \$6 billion caused by the continuing resolution and the \$5–7 billion OCO shortfall. The Army would continue to ensure the readiness of all soldiers in Afghanistan, those next to deploy, those stationed forward in Korea, and the Army's Global Response Force at the expense of non-deploying units and other less critical programs. Our ability to employ this approach may be extended beyond what we are anticipating given the full reductions of sequestration, but it would still erode Army readiness through FY14 when full sequestration would then be implemented. Delaying sequestration only delays the hollowing of the force that would ensue as a result of only being able to train next-deployers and forces for Korea. It means that the forces that would follow would require a longer period to meet the same standards as those deploying today, an effect that would only amplify over time, resulting in greater expenses to rapidly buy back lost readiness over time.

Mr. McKEON. On November 2, 2011 you testified before the House Armed Services Committee as follows, "So, once you get beyond \$465 billion, we have taken all of the efficiencies we can take. We have taken out structure. We have reduced modernization, in my mind, in some cases lower than we really needed to reduce modernization, already. If we go beyond that, we now—it becomes critical, and it becomes a fact that we will no longer modernize. We will no longer be able to respond to a variety of threats. We will have to get to a size that is small enough where I believe, as I said earlier, we might lose our credibility in terms of our ability to deter. And that is the difference. So it is not "okay" at \$465 billion. It is something we have been able to work ourselves through, with risk. But anything beyond that becomes even higher risk." Do you continue to stand by this statement?

General ODIERNO. Yes.

Mr. McKEON. When was the Department of the Army authorized to begin detailed planning for sequestration?

General ODIERNO. The Army was authorized to "plan to plan" for sequestration on 7 Dec 2012.

Subsequent guidance specifically prohibited detailed planning until after sequestration is triggered. Army received draft technical guidance for planning from OSD on 28 Dec 2012 for detailed planning.

Mr. McKEON. Are there any choices that you are being forced to make now that you might not have made, had you begun to initiate this planning earlier? For example, could any depot maintenance have been rescheduled to preserve readiness for the rest of FY13 and beyond? Would you have changed your spend rate this year?

General ODIERNO. The Operation and Maintenance, Army appropriation is currently facing significant funding shortfalls due to the prospect of a full year continuing resolution at the FY12 Base enacted level, and fully funding wartime operations while facing a significant Overseas Contingency Operations funding shortfall. The compounding effect of these pressures and sequestration would have required adjustments to any plans and must now be adjusted by operational requirements. Earlier planning for sequestration may have altered the magnitude, but not eliminated the myriad of programs and functions required to be reduced to meet the statutory ceiling.

Mr. McKEON. The January 14th letter sent to the congressional defense committees calls for legislative solution to the readiness crisis you are facing. "We ask for legislative action that adequately resources readiness while granting the Department the authority and flexibility to shape the force to new budget realities." But the letter didn't include an actual legislative proposal. General Odierno, do you have a specific legislative proposal in mind? If so, please describe such legislation.

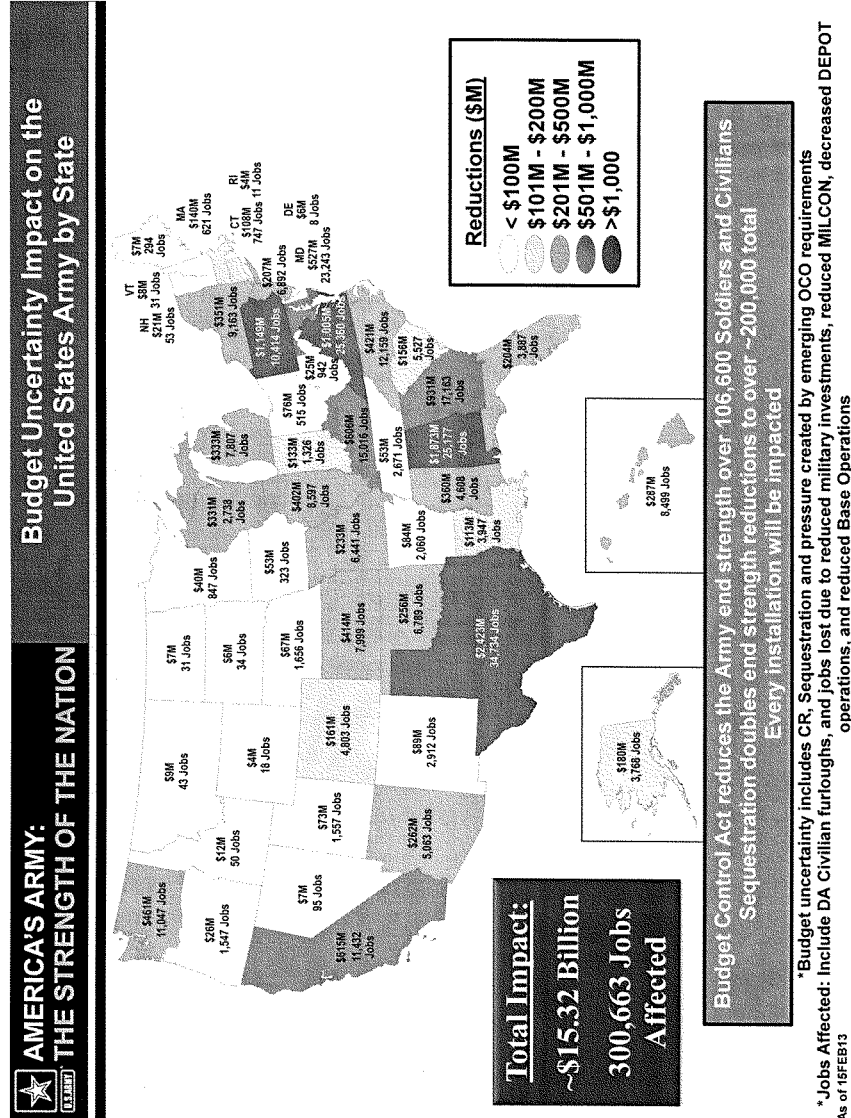
General ODIERNO. OMB provided the enclosed list of anomalies for an FY13 full-year Continuing Resolution to Congress, which includes proposed legislative provisions increasing general transfer authority from \$3.75B to \$4.5B, authorizes the Department to begin new programs, projects, and activities or increase rates of production relative to FY 2012 levels, removes the requirement that no more than 20 percent of current one-year appropriations may be obligated during the last quarter of the fiscal year, allows the Army to enter into multiyear contracts for CH-47F Chinook helicopters, and includes a table that realigns funds to resolve CR O&M, APA, and RDTE shortfalls.

Mr. McKEON. The January 14th letter sent to the congressional defense committees also mentions potential civilian furloughs. Based on notification timelines to Congress and to civilian personnel, when would be the first date an Army civilian could be furloughed? When does the Army plan to issue the formal notification of civilian furloughs to Congress?

General ODIERNO. Secretary Panetta provided Congress the required furlough notification for the entire Department, including all Components, on February 20, 2013. Considering the mandatory Congressional waiting period and the need for at least 30 days notice to employees, the earliest we anticipate an employee might be furloughed is late April 2013.

Mr. McKEON. We have seen State by State estimates of civilian personnel furloughs from the Air Force and the National Guard, and a regional break down from the Navy. Is the Army planning on issuing a similar analysis?

General ODIERNO. Detail PowerPoint slide provided to congress on 15 February, please see attached copy (on page 152) for committee use.



Mr. MCKEON. How many Army civilians will have to be furloughed by the end of FY13? Is there any consideration for retaining critical skills, if so, in which areas?

General ODIERNO. The vast majority of the Army's over 251,000 civilian employees will be furloughed with very limited exceptions, approved by only myself and the Secretary, for those with duties that are critical at this time. One of the categories of civilians excepted from furlough, for instance, will be employees who are deployed in combat zones. Other exceptions may be for those who are protecting the safety of life or property, but only to the extent that their continuous presence is required to provide that protection. Lastly, we will likely exempt civilian employees at Arlington National Cemetery due to the significant disruption it would cause in maintaining the current burial schedules. These furloughs are driven by the substantial combined impacts of a Continuing Resolution, Sequestration, and the cost to support the war above the current allocated funding.

Mr. MCKEON. How much of a cut can the Army take in FY13 before having to furlough civilians—assuming the cut was not through sequester, but to the topline?

General ODIERNO. Civilians are paid from multiple appropriations across the Army but primarily from Operation and Maintenance, Army. Since we are operating under a Continuing Resolution through 27 March and the authorized amounts are based on an FY12 annualized amount, we are already approximately \$6B short of our request for FY13. Additionally, our OCO request is approximately \$5–7B underfunded in FY13 and we have made a commitment to ensure no degradation occurs in our support to the warfighters. Thus, we will be required to use our already short base funds to support the warfight. The cumulative effect of the FY12 base shortfall, the reduced topline through sequestration and emerging OCO requirements could require us to use furlough as an option of last resort to mediate our fiscal deficiency.

Our dedicated civilians do not deserve to be furloughed. It simply is not right. However, due to the magnitude of our shortfalls, we will most likely have to use it to achieve the mandated savings.

Mr. MCKEON. Has the Army considered a reduction in force as part of its planning? If so, is that a potential near-term solution to absorb the cuts from sequestration?

General ODIERNO. The Army is working to reduce its Civilian on-board strength in order to meet funding targets established by the Secretary of Defense in Resource Management Directive 7032A. Headquarters, Department of the Army Staff and all Army Commands and Agencies have conducted exhaustive reviews of programs and functions in order to identify specific functions, activities and workload for elimination and/or reduction. As a result, the Army may execute reductions in force during Fiscal Year (FY) 2013 that were initiated last FY or earlier this FY. However, a reduction in force will not serve as a near-term solution to address the FY 13 effects of sequestration because of the costs associated with conducting a reduction in force and the timeframes for Congressional and employee notifications.

As part of the FY12 DOD civilian workforce reductions the Army submitted 54 RIF actions to DOD targeted at achieving end strength targets and eliminating positions where workload is complete or discontinued. Those FY12 RIF's will continue executing this year separating 1,433 employees. In FY13 four RIFs are in progress for a total of 433 separations. For FY13, based on the on the notification timelines both in law and policy, there is not enough time left in the year to plan and accomplish RIFs, nor would it result in any dollar savings to meet sequestration targets.

Mr. MCKEON. In a recent interview, Secretary Panetta indicated that, "We have identified \$30 billion in new initiatives over the next five years to eliminate overhead and duplication," which would be included in the FY14 budget request. To assist in realizing this savings, the Secretary has also indicated the Department's desire to seek another round of BRAC. Likewise, your January 14th letter to the congressional defense committees states, "We must also be given the latitude to enact the cost-saving reforms we need while eliminating the weapons and facilities we do not need." Presumably, this is a statement expressing the uniformed military's support for another round of BRAC. Considering BRAC 2005 will not realize a payback on its \$35 billion price tag until 2018, 13 years after the start of the initial investment, can the Nation afford to exacerbate a potential sequestration deficit in 10 years by moving forward with another round of BRAC now?

General ODIERNO. The BRAC 2005 process was, by design, primarily about maximizing military value and helping the Army Transform itself from a Division-based force into modular Brigade Combat Teams, the modest payback period was a worthwhile investment. While payback periods can be calculated in different ways, the Army's view is that BRAC savings are real and substantial. It is better to align infrastructure with evolving force structure to hasten the realization of fiscal savings. Delaying the realignment of infrastructure and civilian staffing with future force

structure inevitably increases future costs and makes future budgetary decisions more difficult.

In Europe, a 45% reduction in force structure resulted in a 51% reduction in infrastructure, a 58% reduction in civilian staffing, and a 57% reduction in base operating costs. At overseas installations (i.e., Asia and Europe), the Army is consolidating facilities already and Congressional authorization is not required. Army active duty component end-strength is declining by 80,000 from a peak end-strength of 570,000 in Fiscal Year 2010 to 490,000 by Fiscal Year 2017. This is a significant reduction in the Army. Almost every installation will be affected in some way. Given that total facility square footage at Army installations has either remained constant or slightly increased since 2005, a reduction of 14 percent in end-strength will create excess installation infrastructure.

Is another round of BRAC affordable? Perhaps the more revealing question is whether the Army and the Nation can afford to carry excess infrastructure and overhead expenses and divert scarce resources away from critical and future requirements. The Army would use an authorized round of BRAC, if it were authorized, to conduct a rigorous analysis to identify excess infrastructure, and prudently align supporting civilian personnel and infrastructure with reduced force structure and reduced industrial base demand. If sequestration were fully implemented, an additional 100,000 soldiers or more would be reduced out of the Active Duty, National Guard, and U.S. Army Reserve. This reduction would create further pressure to bring infrastructure and civilian staffing into proper balance with force structure. The Army and Nation cannot afford to carry excess infrastructure and overhead expenses created by the downsizing of the force. The Army anticipates that a future round of BRAC, if authorized by Congress, would more closely resemble prior rounds of BRAC in which elimination of excess installation capacity was the main objective. BRAC allows for a systematic review of existing DOD installations for Joint and multi-service component utilization.

Mr. MCKEON. If sequester goes into effect for only 1 or 2 months, but is then resolved, please describe the impact on training, including the impact on operations, civilian personnel, facilities sustainment, depot maintenance, and training.

General ODIERNO. One of the persistent challenges to the Army has been a lack of predictable funding, evidenced by operating under a Continuing Resolution (CR) for 14 of the last 28 months. Each continuing resolution prevents new starts for needed programs, limits reprogramming actions, and often results in wasteful funding for accounts that we no longer need. This year we are also facing a known shortfall in Overseas Contingency Operations (OCO) funding between five and seven billion dollars. These two facts are challenging propositions when taken in isolation, but together the impact is tremendous. Add to this the potential of sequestration and the impact is devastating—and those effects are already being felt by the Army. Even if the sequester is in effect for only one to two months, its resolution will do little to help us address our current fiscal problems and will likely bring no greater clarity or predictability to the Army's future funding levels.

The budget uncertainties outlined above have caused the Army to begin implementing steps to prepare for reduced budget caps. We began in January to limit the training and overall readiness of units that are not deploying or scheduled to deploy in order to ensure those that are have adequate resources to train. Should sequestration only last one to two months, the Army will still require an extended period of time and significant resources to restore readiness.

The Army has also implemented cost saving measures that affect the civilian workforce. We have implemented a civilian hiring freeze with limited exceptions, and have initiated the release of term and temporary civilian employees. We also announced the intent to furlough all civilian personnel, with very limited exclusions, for 22 work days prior to the end of fiscal year 2013. If a final decision to furlough is made, the Army anticipates the first furloughs to begin near the end of April. Should the resolution of sequestration and an OCO shortfall render a furlough unnecessary prior to that time, furlough plans could be cancelled and employees would not be affected. If employees are furloughed prior to resolution being reached, those employees who were furloughed would not be paid for the furloughed time, unless Congress takes action to specifically authorize retroactive payment. All of these actions directly affect the morale of our dedicated civilian workforce, and the impact has already been felt. Restoring capabilities and capacities lost due to the hiring freeze and release of civilians, and restoring the faith of our dedicated civilian workforce could take a considerable length of time.

The Army has implemented similar measures to reduce costs associated with facility sustainment and depot maintenance of equipment. Specifically, we have reduced funding for facility sustainment to only work that is required for life, health and safety. The Army has also eliminated most restoration and modernization fund-

ing for facilities due to sequestration and has not implemented any significant FY13 military construction projects because of the continuing resolution. Facility conditions will continue to deteriorate until funding is restored to adequate levels and the backlog of deferred maintenance can be addressed. The Army is also prepared to implement cost savings measures across our depots. In the immediate future, the Army will direct that only equipment required by deploying forces will be inducted into the depots for the remainder of this fiscal year. This defers maintenance on a majority of the equipment returning from Afghanistan as well as other equipment scheduled for depot level maintenance. Overall unit readiness will be impacted by reduced equipment readiness conditions and/or the lack of equipment on-hand.

Regardless of the duration of sequestration, the impacts of an OCO shortfall and a CR to Army training, to include the impact on operations, civilian personnel, facilities sustainment, and depot maintenance, will be significant. The Army has already implemented cost saving measures across all of these activities because of the current budget uncertainties and these measures will take time and a significant commitment of resources to overcome.

Mr. McKEON. Are the effects of a 1- or 2-month sequester reversible?

General ODIERNO. The effects of a one or two month sequester can be reversible—given sufficient time and resources to restore what is lost (i.e., readiness). However, the situation facing the Army is not solely driven by sequestration, but rather the cumulative effect of sequestration, the continuing resolution and the Overseas Contingency Operations (OCO) shortfall. These budget uncertainties have already had a significant impact on the Army and sequestration will only add to that, regardless of duration.

The Army began implementing measures in January 2013 to reduce spending to prepare for the reduced budget caps and ensure resources were available to address critical operations and programs, like Operation Enduring Freedom and Wounded Warriors. Additional cost-saving measures, to include a 22 work day civilian furlough, will soon be executed absent any legislative action to address the current budget uncertainties. These measures have already affected training, equipment maintenance and sustainment, the civilian workforce, facility sustainment, and installation services. A short duration sequester will further impact these programs prolonging the period of time and increasing the resources it will take to recover what has been lost.

Mr. McKEON. The January 14th letter sent to the congressional defense committees from the Joint Chiefs of Staff describes the readiness crisis resulting from a full-year continuing resolution and sequestration. The letter goes on to state, “The combination of capabilities and capacities of the Nation’s military force required to defend our national security interests with an acceptable degree of risk is a separate issue.” How do you interpret this statement? Do you believe the readiness crisis before us, or the issue of full sequestration, can be separated from the issue of the risk to our national security?

General ODIERNO. A full year continuing resolution and sequestration will have immediate impacts on readiness for our current requirements, not only to our combat operations, but our military obligations in the near term. The capabilities and capacities envisioned to meet military strategies that address anticipated threats to national security interests over the long term are beyond the purview of readiness to meet current missions. The Army can meet its obligations to the current Defense Strategic Guidance with a gradual reduction of forces to previously planned levels. Drastic changes to the schedule or scope of that drawdown will warrant revisiting that strategic guidance to determine how best to balance further reduced capabilities and capacities and how best to employ them against the ends derived from our national security interests. We must avoid the grave risk of an imposed mismatch between the size of our Nation’s military force and the funding required to maintain its readiness. Failure to do so will inevitably lead to a hollow force.

Mr. McKEON. If sequestration happens and if the White House and Congress cannot reach agreement on funding, will the military be able to defend our interests with an acceptable degree of risk, given the current security environment?

General ODIERNO. The specific level of risk is dependent on the legislation passed by the Congress replacing the Continuing Resolution. In my opinion, sequestration is not in the best interests of our national security. It will place an unreasonable burden on the shoulders of our soldiers and civilians. We will not be able to execute the Department of Defense strategic guidance as we developed last year. It is our responsibility—the Department of Defense and Congress—to ensure that we never send soldiers into harm’s way that are not trained, equipped, well-led, and ready for any contingency to include war. We must come up with a better solution.

QUESTIONS SUBMITTED BY MR. LANGEVIN

Mr. LANGEVIN. I am particularly concerned about the effect of sequestration on cyber operations, which by their nature are more vulnerable to short-term budgetary pressure.

Can you address the effects of sequestration on cyberspace activities and how you intend to manage the fiscal pressures given increasing demands in this regime, particularly in light of the reports of CYBERCOM's plan to grow the number of cyber operators?

Secretary CARTER. The indiscriminate, across the board nature of the sequestration will have an adverse impact on the Department's ability to carry out cyber missions, including IT and network modernization to improve cyber defense capabilities and developing capabilities supporting integration of cyber into the Combatant Commands planning. The result will likely be delays in implementing some of the activities planned in the near-term. The Department does, however, recognize the importance of supporting critical Cyberspace Operations, including those associated with defending the Nation against cyber threats, in these difficult economic times.

The FY13 defense budget includes funds that support CYBERCOM's cyber personnel request and similarly, the FY14 DOD budget request includes funding to grow the number of cyber operators.

Mr. LANGEVIN. Secretary Carter, can you speak to the effect of sequestration on research and development, particularly long-term research, as well as on defense investments in STEM (science, technology, engineering, and mathematics) education?

Secretary CARTER. Sequestration will have a disruptive and negative impact on both the Department's long-term research and on investments in STEM education. A principle of both long-term research and STEM is funding stability, since both are about the people.

A. The effect on long-term research:

One important impact of sequestration on R&D would be a reduction to the roughly \$2.2B that the Department spends annually in research at United States universities. This reduction would be about \$198M in FY 2013. Since the average university award is approximately \$400K, the reduction would be about 495 fewer DOD-funded university awards this year. Further, these research efforts support more than 6,800 graduate students. Therefore, sequestration would reduce by about 612 the number of science and engineering graduate students who are both performing defense research and receiving DOD support for research training toward advanced degrees in fields important to national defense. These impacts compound over time since the return on investment compounds with time as researchers build on the knowledge and understanding generated by the work of earlier researchers. We therefore project a greater potential long-term impact of the loss of hundreds of university awards in FY 2013 than one might anticipate solely from the immediate effects in the current year. We may never know the full impact of these long-term research cuts to our technological edge over future adversaries, but it is a risk we cannot take lightly.

B. The effect on defense investment in STEM:

The Department invests in STEM in two ways: directly through programs like "Science, Mathematics, and Research for Transformation" (SMART), and indirectly through research grants, contracts, and other awards. SMART is an undergraduate and graduate service-for-scholarship education program with 550 current students. Under sequestration we could only support previously selected students, and we would not be able to select any new students for CY 2013. This would result in a net loss of approximately 150 students. SMART is so attractive to the DOD because it makes the DOD competitive for the top ten percent talent—in 2012, there were 4,000 applicants for 134 awards. As for indirect effects, there are a large number of STEM students supported through research grants, contracts, and other awards to institutions of higher education. We know a nine percent reduction from sequestration would remove support for at least 612 students; what we don't know is how many of these students will continue their advanced STEM degree using other sources.

Mr. LANGEVIN. I am particularly concerned about the effect of sequestration on cyber operations, which by their nature are more vulnerable to short-term budgetary pressure.

Can you address the effects of sequestration on cyberspace activities and how you intend to manage the fiscal pressures given increasing demands in this regime, particularly in light of the reports of CYBERCOM's plan to grow the number of cyber operators?

General DEMPSEY. I share your concerns about the effects of sequestration on all military operations, including cyber operations. The deep, across-the-board spending

cuts, combined with a dangerous and uncertain security environment place the Nation squarely on the verge of a readiness crisis. I am particularly concerned with the evolving and increasingly dangerous cyber threat. We must have a professional cyber workforce across the Active and Reserve Components that is trained, certified and ready to respond to this evolving threat. Sequestration will require tough decisions, to include furloughing civilian employees and curtailing training. In the short-term, we are putting measures in place to ensure support of critical missions such as cyber operations. In the medium and long-term, sequestration could affect our ability to recruit, train, develop, and retain a skilled cyber work force and will degrade our ability to carry out our assigned missions.

Mr. LANGEVIN. I am particularly concerned about the effect of sequestration on cyber operations, which by their nature are more vulnerable to short-term budgetary pressure.

Can you address the effects of sequestration on cyberspace activities and how you intend to manage the fiscal pressures given increasing demands in this regime, particularly in light of the reports of CYBERCOM's plan to grow the number of cyber operators?

General ODIERNO. Without proper funding, sequestration will have a significant impact on Army cyber operations and capability development. It is important to understand that cyber operations are already under budgetary pressure by the Continuing Resolution, but when coupled with sequestration, the effects are compounded significantly. The pending reduction to cyber-related funding, coupled with a Continuing Resolution that enforces "No new starts," will result in the Army's inability to directly support emerging U.S. Cyber Command requirements. Further, the ability to detect and prevent the 600,000 (+) unauthorized daily attempts from adversaries to access Army Information Systems will be diminished since the majority of this work is done by civilians and contractors. As a reminder, during a significant cyber attack in 2003, three installations were severely impacted and the cost to rebuild servers and restore service was approximately \$32M per installation.

Funding constraints will also affect the Army's ability to enhance its cyber capabilities. In response to U.S. Cyber Command requirements, the current plan of fielding offensive and defensive cyber operations teams will require an additional 1,008 military and civilian personnel in Fiscal Years 13–16. Sequestration will affect the Army's ability to hire and train the civilians necessary to field enhanced cyber operations teams. Army Cyber Command will be forced to stop or curtail several initiatives to advance Army cyber capabilities including: the integration of cyberspace into plans and exercises; cyber leader development, education and training; and developing the concept for unified Land Cyber operations.

The full impact of sequestration is unknown. The Army is balancing Cyber Command requirements against other competing needs.

Mr. LANGEVIN. I am particularly concerned about the effect of sequestration on cyber operations, which by their nature are more vulnerable to short-term budgetary pressure.

Can you address the effects of sequestration on cyberspace activities and how you intend to manage the fiscal pressures given increasing demands in this regime, particularly in light of the reports of CYBERCOM's plan to grow the number of cyber operators?

Admiral GREENERT. Sequestration will have impacts to Navy's ability to support National and Fleet cyber-related missions. Like all other warfare areas, Navy will be required to take added mission risk to forces as materiel maintenance, technological upgrades, and operator training designed to provide enhanced effectiveness and efficiency across all cyberspace operations (network operations and defense) will be deferred or cancelled. While appropriate risk mitigation measures are being implemented, in general, sequestration cuts will have the following impacts to Navy cyber operations:

- Increased Vulnerabilities to Navy Networks
- Degradation to Information Assurance (IA) standards
- Degradation of skill set training and Navy succession planning for Cyber civilians
- Longer lead times for supplies with associated increased costs
- Decreased C2 collaboration environment and global mission support for both

Navy and Joint forces to include Humanitarian and Homeland Security missions/crisis. Risk may still increase over time even with effective prioritization of resources.

Mr. LANGEVIN. I am particularly concerned about the effect of sequestration on cyber operations, which by their nature are more vulnerable to short-term budgetary pressure.

Can you address the effects of sequestration on cyberspace activities and how you intend to manage the fiscal pressures given increasing demands in this regime, particularly in light of the reports of CYBERCOM's plan to grow the number of cyber operators?

General WELSH. Over the past few years, we have seen the threat in cyberspace grow more sophisticated, evolving from individuals or loosely associated groups of amateur hackers to organized non-state actors and even nation-states hostile to the United States and our national interests. Nations like China and Iran have become more bold and aggressive in their attempts to gain access to our critical infrastructure as reflected in the Mandiant report released last week. The Air Force alone blocks one billion probes per week, and we still have 1,200 to 1,400 cases per year inside the network that are categorized as suspicious. With the threat level this high, it is not prudent to reduce resources to network defense. To help mitigate these threats, my cyberspace superiority core function lead integrator directed the continued funding of cyber operations during sequestration at the expense of other mission areas. Therefore, the major direct impact to cyber during sequestration is the civilian workforce reduction due to furlough.

Our cyber operations workforce is comprised of approximately 20 percent civilians; therefore, the sequestration furloughs will result in an immediate impact in our reduced ability to assess, pinpoint, and respond to vulnerabilities, increasing an adversary's ability to exploit systems and increasing their time on the network. Our decrease in civilians will also reduce our ability to restore connectivity of critical command and control and combat support capabilities to the network, resulting in outages of three to four days for our mission planning and maintenance systems, vice our current average restoral rate of one to two days.

Longer term challenges due to sequestration include a decrease in our ability to provide mission assurance in support of air and space operations for combatant commands. Sequestration also causes a degradation in our ability to plan for, and transition to, new Air Force capabilities, including AFNet migration, data center consolidation, internet gateway protection, and Joint Information Environment and Department of Defense Enterprise email initiatives. We cannot quantify these effects at this time.

In response to U.S. Cyber Command's (USCYBERCOM) plan to grow the number of cyber operators, it is developing a cyber force construct which seeks to remedy our current offensive and defensive capability gaps. The Air Force, along with the other Services, fully supports USCYBERCOM's plan to move forward. However, sequestration will hinder our ability to quickly organize, train, and equip the forces that are necessary to enable USCYBERCOM's mission. USCYBERCOM's new Cyber Mission Force will contain approximately 20 percent civilian personnel. These personnel are not yet hired nor trained, and since 20 percent of the force is made up of civilians, the Cyber Mission Force will be decreased and delayed.

The Air Force is committed to delivering a credible cyber force. To continue operations under sequestration, the Air Force has placed a priority on cyber operations to minimize the impact.

Mr. LANGEVIN. I am particularly concerned about the effect of sequestration on cyber operations, which by their nature are more vulnerable to short-term budgetary pressure.

Can you address the effects of sequestration on cyberspace activities and how you intend to manage the fiscal pressures given increasing demands in this regime, particularly in light of the reports of CYBERCOM's plan to grow the number of cyber operators?

General AMOS. Sequestration will likely impose severe consequences on both short and long-term Marine Corps cyber operations including network operations, information assurance/cyber security, defensive cyber operations, computer network exploitation, and offensive cyber operations. The full extent of the Budget Control Act includes sequester-related cuts beginning in FY13 and continuing through FY21. The scale and abrupt manner in which sequestration cuts are designed will likely disrupt on-going Marine Corps cyber operations, and will diminish the Marine Corps' ability to develop and grow its cyber workforce in the manner required to meet emerging threats.

U.S. Marine Corps Forces Cyberspace Command

For U.S. Marine Corps Forces Cyberspace Command (MARFORCYBER), the linkage between resources and readiness is immediate and apparent. MARFORCYBER Headquarters has 136 active duty and civilian marines on-hand. By FY15,

MARFORCYBER Headquarters is expected to increase its workforce by an additional 87—bringing the total active duty and civilian workforce to 223. Additionally, as approved by the Joint Chiefs of Staff, the Marine Corps will increase its cyber workforce investment by an additional 579, which will include a combination of active duty marines, civilian marines, and contractors.

As MARFORCYBER grows its workforce capability and capacity, it is simultaneously planning a mission support building aboard Fort George G. Meade, Maryland. Military Construction (MILCON) funding for the new mission support building is planned to be appropriated in FY14 with expected building occupancy in FY17. The Marine Corps expects sequestration will cause delay or cancellation of many MILCON projects, including the mission support building. The impacts of MILCON delays or cancellations will be felt across the Marine Corps. Should the MILCON project be delayed or cancelled the likely result will be degradation of workforce readiness; decreased capacity and capability of MARFORCYBER to command, control and conduct cyberspace operations; continued commercial leased facility expenses; and, unmitigated operational risk associated with inadequate anti-terrorism/force protection measures at the current facility.

MARFORCYBER anticipates further readiness and capability degradation due to equipment shortfalls. MARFORCYBER has planned software tool purchases to provide needed capabilities for MARFORCYBER to command, control and conduct cyberspace operations. These purchases would be delayed or cancelled depending upon the severity of budget reductions.

Network Operations

Sequestration will negatively impact the Marine Corps' ability to operate and defend the Marine Corps Enterprise Network (MCEN). The Marine Corps Network Operations Center (MCNOSC) will continue to operate and defend the MCEN as well as provide enterprise equipment (IT) asset management. However, the MCNOSC will do so with reduced funding and capacity, which will likely increase incident response times targeting the MCEN. The MCNOSC will likely have significant capacity reductions in the Marine Corps Computer Emergency Response Team (MARCERT). Without full MARCERT capacity available, the identification of new threats and vulnerabilities will be delayed. Reduced MCNOSC and MARCERT capacity will decrease the overall health, availability, and security of the Marine Corps segment of the Department of Defense Information Network. Computer Network Defense surge capability for major events will likely be reduced.

The MCNOSC will be unable to provide enterprise engineering services. Without such services, the MCNOSC will be unable to provide required critical upgrades to the MCEN infrastructure due to emerging threats, field solutions to new requirements, or address emerging threats and security imperatives. Under sequestration, the MCNOSC would be unable to implement USCYBERCOM/MARFORCYBER operational directives and DOD/DON/USMC policy mandates in a timely manner due to a reduction in personnel. Sequestration would likely result in a considerable reduction to preventative maintenance of the MCEN, increasing the likelihood of service disruptions and diminishing the ability of the MCEN to support critical operational capabilities required by Operating Forces.

The Marine Corps has one Global/Service Network Operations Security Center and four Regional Network Operations Security Centers (RNOSCs), which are strategically located to support MCEN operations and defense. The RNOSCs provide regionally focused command and control capabilities for executing Network Operations supporting our MARFOR Commanders, which in turn support the Combatant Commanders. The likely furlough of civilian employees will degrade operations of both the MCNOSC and RNOSCs. The potential impacts include degraded management and completion of network operations tasks; decreased situational awareness; limited capacity to execute priorities and tasks; less detailed operational impact assessments; and, reduced response to and control of network defense response actions.

Information Assurance

Sequestration will impact the Marine Corps' ability to provide information assurance within its networks. The Marine Corps anticipates a reduction in the number of information assurance inspections and validation of remediation activities; delay to field automated tools for network security protection, software assurance (code review), and system monitoring; and, delay to completion of public key implementation on the unclassified and secret classified networks as well as the optical network infrastructure improvements. Lastly, the Marine Corps cyber security program will likely be further reduced. This program oversees Marine Corps efforts and capabilities to protect, monitor, analyze, detect, and respond to unauthorized activity within the MCEN as required by National Security Presidential Directive-54/Homeland Security Presidential Directive-23, Titles 40 and 44 of the U.S.Code, DOD Directive

8500.01E, DOD Instructions 8500.2, 8510.01, and Chairman, Joint Chiefs of Staff Instruction 6211.02.

Mr. LANGEVIN. I am particularly concerned about the effect of sequestration on cyber operations, which by their nature are more vulnerable to short-term budgetary pressure.

Can you address the effects of sequestration on cyberspace activities and how you intend to manage the fiscal pressures given increasing demands in this regime, particularly in light of the reports of CYBERCOM's plan to grow the number of cyber operators?

General GRASS. At this time we are unsure of the exact impact of sequestration on cyber operations. We believe that sequestration will impact National Guard cyber operations in the areas of planning and coordination, policy oversight and resource management capability, and training and readiness. The loss of productivity from civilian furloughs and a hiring freeze will lead to degradation in planning a coordinating capability as well as oversight and resource management. Planning and coordinating capability and training and readiness will also be impacted by the loss in productivity from civilian furloughs and a hiring freeze along with: reduced funding available for cyber exercise planning and execution; reduced funding available for mandatory individual training beyond professional military education; simulator contracts cancelled or delayed; and cancellations of staffing in support of cyber experiment.

Mr. LANGEVIN. I am particularly concerned about the effect of sequestration on cyber operations, which by their nature are more vulnerable to short-term budgetary pressure.

Can you address the effects of sequestration on cyberspace activities and how you intend to manage the fiscal pressures given increasing demands in this regime, particularly in light of the reports of CYBERCOM's plan to grow the number of cyber operators?

Secretary HALE. Cyber operations is a high priority area for the Department with regard to investment of both resources and management oversight. Deterring and, if necessary, defeating such attacks will be a continued key challenge.

QUESTIONS SUBMITTED BY MS. BORDALLO

Ms. BORDALLO. I am troubled that 800,000 of our civil service employees, who contribute greatly to the Department of Defense, may be furloughed up to 22 days. These employees would take as much as a 20% cut to their income; and the Department would lose their valuable contribution to the mission. As we curtail the work of these critical civil service employees, the Department of Defense in many cases will continue to pay for contract employees. I am concerned that this contracting approach will unnecessarily punish our civilian workforce. What can be done to ensure that the civilian workforce will not be unduly targeted if sequestration occurs? What criteria are you using to determine whether a Federal civilian or a contractor stays on the job or goes?

Secretary CARTER. The magnitude of the reductions that must be absorbed in the Operation and Maintenance accounts leaves the Department no choice but to reduce the funding required for civilian personnel. The timing of the sequestration exacerbates the situation, leaving only 6 months or less to execute these furloughs. This will result in making almost all Department civilians subject to being placed in a furlough status for 2 days of every pay period beginning in April and ending in September. This equates to a 20% reduction in their salaries for the remainder of the year. Unfortunately, the Department has little ability to minimize the financial impact on our civilians. However, the financial impact on civilian personnel can be avoided if the Congress were to act to avoid sequestration.

Ms. BORDALLO. I believe that these challenging times present us with an opportunity to review how we do businesses and find ways to improve our processes. The effects of sequestration are obviously detrimental to the readiness of our Armed Forces; I would like to know examples of how any of the Services and OSD have made fundamental changes to your business practices in light of the austere fiscal times.

Secretary CARTER. Over the past few years the Department of Defense has been diligent in seeking out more efficient business practices in order to reduce costs. Examples of these efficiencies include: the Army's 2012 enterprise-wide deployment of Lean Six Sigma which has already yielded \$3.2 billion in benefits from over 2,979 projects with another 1,300 projects in progress; DOD reduced health care costs in FY12 by shifting to using Medicare's Outpatient Prospective Payment Systems

(OPPS) for reimbursing private sector institutions for outpatient care delivered to TRICARE beneficiaries, resulting in an estimated savings in FY12 of \$840M.

However, the combination of the Continuing Resolution and Sequestration now has us taking steps that undermine readiness and are not efficiencies. For example, the Services have reduced or delayed deployments, such as the recent delay of the aircraft carrier USS TRUMAN, in order to maintain the capability to surge ready-forces to emergent events. The Services have also reduced and delayed maintenance and training of military units not directly tied to current operations, as well as reducing base operations and facilities maintenance. The Department has frozen the hiring of civilian employees, planned furloughs of up to 22 days for the overwhelming majority of the 800,000 members of DOD's civilian workforce, and planned for layoffs of up to 46,000 temporary and term employees. The Department has also curtailed travel that is not mission-critical, including terminating or postponing participation in conferences.

Ms. BORDALLO. I believe that these challenging times present us with an opportunity to review how we do businesses and find ways to improve our processes. The effects of sequestration are obviously detrimental to the readiness of our Armed Forces; I would like to know examples of how any of the Services and OSD have made fundamental changes to your business practices in light of the austere fiscal times.

General DEMPSEY. First, I defer to the Service Chiefs and OSD to answer the question for their immediate interests and areas of responsibility.

In response to the immediate fiscal situation, the Joint Staff will achieve savings by aggressively looking at internal business practices; curtailing travel, conference and printing expenses; consolidating and leveraging IT networks and increasing scrutiny of joint warfighting requirements through the Joint Requirements Oversight Council.

As examples of changes in our business practices, we have made significant changes at the National Defense University to improve our core functions and better align the mission with fiscal realities. By refocusing NDU on Joint Professional Military Education, we have been able to disestablish three organizations as well as realign two others for greater efficiency while maintaining core capability in those areas. We have also realigned and rescaled our Joint Staff in Suffolk to significantly improve unity of effort, efficiencies, and operating speed by organizing along functional lines, flattening command levels, and better integrating responsibilities.

To more closely scrutinize and reduce our spending on conference hosting and attendance, the Joint Staff has established conference approval authorities for Joint Staff-hosted conferences and non-DOD conferences that Joint Staff personnel attend. The Comptroller's office reports all conferences the Joint Staff hosts or attends, regardless of cost to OSD quarterly and all conferences where total expenses are in excess of \$100,000 to OSD annually. In addition, we report monthly to the Vice Director of the Joint Staff all conferences and contract actions. Finally, during the sequestration, the Joint Staff is only participating in mission critical hosted conferences, sending as few participants as possible and reducing costs as much as possible.

Finally, a Labor Validation Board (LVB) has been established and meets monthly to review all hiring actions. Though we currently have a hiring freeze in place due to funding constraints, the board reviews all actions to determine if any exceptions should be made for critical fills. If one is determined, it will go forward to the Director of the Joint Staff for approval prior to any offers moving forward.

Ms. BORDALLO. I believe that these challenging times present us with an opportunity to review how we do businesses and find ways to improve our processes. The effects of sequestration are obviously detrimental to the readiness of our Armed Forces; I would like to know examples of how any of the Services and OSD have made fundamental changes to your business practices in light of the austere fiscal times.

General ODIERNO. While the Army is always looking for ways to improve the way we do business, fiscal constraints require us to deliver strategic land power in the most cost-effective way possible. Within Army business practices, we continue to drive efficiency gains into everything we do. The following examples highlight recent improvements.

Last July, the Army successfully deployed the General Fund Enterprise Business System. This was a major step in moving us away from supporting, maintaining and training soldiers and Army civilians to operate over 100 legacy systems that are almost all written in 20 or 30 year old code. This fielding has enabled the Army to retire 31 separate IT systems to date, and we are on schedule to replace a total of over 100 separate systems by 2017. Having one financial management system elimi-

nates the need to enter like data in multiple systems, maintain interfaces or re-enter reporting data among systems and reconcile data across different systems. This integrates information into a single source that better serves decision-making at every echelon. Additionally, the General Fund Enterprise Business System complies with 97% of the Federal Financial Management Improvement Act and DOD regulatory requirements. This compliance provides visibility and traceability that was lacking in the proliferation of legacy systems, and the Army is looking forward to improved accountability and stewardship as a result.

The Army is also leveraging its enterprise resource planning systems to improve business practices in human resources and logistics. These enterprise resource planning systems are being fielded on schedule and will also improve audit-readiness. The Integrated Personnel and Pay System-Army, the Army's human resources enterprise resource planning system, is reengineering 157 business processes across 3 Army Components and will retire 53 legacy systems by 2017. Today, the Logistics Management Program manages \$4.5 billion worth of inventory, processes transactions with 50,000 vendors and integrates with more than 80 DOD systems. The Global Combat Support System-Army is 80% developed and tested and received a full deployment decision in December 2012. Given this trajectory of success, the Army is on track to achieve audit-readiness requirements for an auditable Statement of Budgetary Resources by Fiscal Year 2014 and full audit-readiness by Fiscal Year 2017.

In 2012, the enterprise-wide deployment of Lean Six Sigma continued to drive efficiencies into major processes across the Army with over 2,979 projects which yielded \$3.2 billion in benefits. Another 1,300 projects are in progress. These continuous process improvement efforts increased throughput, reduced delays and improved effectiveness while reducing costs. Throughout 2012, the Army's Lean Six Sigma program trained 1,408 leaders. We also trained 304 senior and mid-grade leaders on how to sponsor Lean Six Sigma initiatives.

In September 2010, the Army followed OSD's guidance to implement 23 actions under the initiative called Better Buying Power. These initiatives collectively mandated affordability as a requirement, eliminated redundancy within acquisition portfolios, promoted competition among vendors, incentivized innovation, and improved Service acquisition activities. The collective efforts of the Army Acquisition community have yielded measureable cost savings and cost avoidance across the FYDP.

To reduce energy costs and help preserve the environment, the Army initiated 13 energy conservation projects which will save 73 billion British Thermal Units (BTU) of energy and generate 81 billion BTUs of renewable energy. Further, the Army's Net Zero Installation Initiative is improving installations so that they consume only as much energy or water as they produce.

The Army migrated almost all of its users to a common enterprise email system provided by the Defense Information Systems Agency. This effort comprised the Army's foremost technology efficiency initiative and eliminated redundant requirements for servers, standardized hardware and software, enabled Army users to operate anywhere in the world with a single online identity, centralized administration and reduced vulnerabilities. This effort was also coupled with the Army's Data Center Consolidation Plan which has already closed 54 data centers. The Army expects to save \$380 million between 2013 and 2017. These efforts comprise only a small part of the Army's transformation of its business practices, and more efforts are detailed in the Army's 2013 Annual Report on Business Transformation. Senior leaders across the Army are performing in-depth assessments of their organizations and processes with the ultimate aim of improving performance, enhancing agility and decreasing costs. This effort comprises one of the most complex projects any organization has ever attempted and requires the continued support of leaders in Congress.

Ms. BORDALLO. I believe that these challenging times present us with an opportunity to review how we do businesses and find ways to improve our processes. The effects of sequestration are obviously detrimental to the readiness of our Armed Forces; I would like to know examples of how any of the Services and OSD have made fundamental changes to your business practices in light of the austere fiscal times.

Admiral GREENERT. During the development of each budget, the Navy strives to be bold in challenging our current organization, constructs, and structure to maximize the resources available to our warfighters. During FY 2012 we terminated poor performing or lower priority programs such as Offshore Vessels and Maritime Aerial Layer Network, contained Total Ownership Costs through strategic sourcing initiatives, and achieved contract savings through Multiyear Procurements and revising the Littoral Combat Ship acquisition strategy. The Navy streamlined organizations

and operations by reducing and consolidating shore commands such as patrol wings, SECOND Fleet, SYSCOM Warfare Centers, as well as submarine squadron and carrier strike group staffs.

The FY 2013 President's Budget request, as submitted to Congress, contains similar efforts such as initiatives to reduce IT costs and consolidate data centers, eliminate duplicate overhead functions between the Commander, Navy Installations Command and the Naval Facilities Engineering Command, as well as revised phasing of CVN Refueling Complex Overhauls (RCOHs) and DDG procurement, and improved alignment of Joint Strike Fighter (JSF), FA-18, and DDG modification to overall requirements.

Ms. BORDALLO. I believe that these challenging times present us with an opportunity to review how we do businesses and find ways to improve our processes. The effects of sequestration are obviously detrimental to the readiness of our Armed Forces; I would like to know examples of how any of the Services and OSD have made fundamental changes to your business practices in light of the austere fiscal times.

General WELSH. The Air Force is fully committed to improving business practices. We are invested in Department-wide commitments made to reduce the cost of business operations. The following are a few examples of business practice changes the Air Force has implemented.

The Air Force is a major consumer of Department of Defense (DOD) aviation fuel. As our largest user of aviation fuel, Air Mobility Command (AMC) has been focused on large aircraft energy efficiencies for several years and has established a Fuels Efficiency Office (FEO) to identify and implement aircraft energy efficiencies and tradeoffs. AMC leadership and the FEO have tapped into the expertise of commercial airlines, conducted business case analyses and continual process improvement initiatives, and implemented policies and methods, which are driving real savings. The Mobility Air Forces (MAF) now have C-5, C-17, KC-10, and KC-135 flight crews using commercial methods to plan and fly more efficiently, taking advantage of atmospheric conditions for optimal flight altitude, speed, and routes. This is referred to as mission index flying (MIF). As a result, the Air Force is seeing a mission and fuels consumption benefit of a 37 percent improvement in ton-miles moved per gallon by the MAF and 9.3 million gallons saved across all four platforms combined in fiscal year 2012 (FY12). Another good example of the Air Force using commercial methods is Mobility Air Forces Cost Avoidance Tankering (MAFCAT). When cargo loads permit, MAF crews have been carrying extra fuel from locations with cheaper aviation fuel into Afghanistan locations where fuel prices are much higher. The result is a slight increase in total fuel burned due to flying heavier aircraft, but a decrease in the overall cost of the fuel consumed. Since less fuel is purchased at a higher price, the Air Force has avoided an average of \$13 million per month since the effort began in June 2012.

A second significant and fundamental change in Air Force business processes has been occurring within our logistics and supply chain operations, and continues to evolve. The Air Force initiated an enterprise logistics strategy (ELS), a shared ownership of the logistics enterprise designed to accelerate the pace of change and drive key initiatives to generate cost-effective readiness. The Air Force has consolidated supply chain management, merging wholesale and retail supply responsibility for greater end-to-end management and control. The Air Force consolidated funding for weapon system sustainment and the flying hour program within a centralized asset management account to improve fleet support and enable supply chain transformation. A last example within evolving, fundamental change in logistics is the rationalization of repair capabilities and establishing enterprise repair in place of intermediate base repair. This is illustrated in the consolidation of AMC's C-130 intermediate engine repair at Little Rock Air Force Base, and more recently, the Pacific Air Force commander's approval last year to consolidate F110 engine maintenance in the western Pacific at Misawa Air Base, Japan. Our body of work in making improvements to the logistics and installations business is a foundation for continuing work to deliver savings of over \$7 billion across FY12-17.

A third area in which change is occurring is in reshaping how supporting headquarters activities are conducted in order to reduce the size of overhead staffs across the Air Force while maintaining appropriate levels of customer support. In 2012, the Air Force deactivated three numbered air forces and one air operations center as part of overhead reductions. Their functions were absorbed into the supported major command staffs and into a combined air operations center construct, respectively. The Air Force initiated consolidation of installation services functions from across the major command headquarters, Headquarters Air Force (HAF), and field operating agencies aligned to the HAF. By consolidating activities within central sup-

porting organizations, the Air Force eliminated 289 civilian manpower spaces in FY13, growing to a reduction of 354 by FY16. Headquarters Air Force established common output level standards across the Air Force for 40 installation support functions. Performance against these standards is reported by installation commanders (the customer) back to the central management team, ensuring continued emphasis on commanders' needs despite the re-organization. Air Force acquisition practices are another area where we are driving significant change, with initiatives ranging from a major weapon system perspective (such as a new aircraft) to base level procurement (such as tools, computers, and parts). An example of a major weapon system change was to stabilize the Evolved Expendable Launch Vehicle (EELV) procurement by establishing a fixed annual production rate to control costs. Anticipated savings of over \$1 billion will be confirmed in the coming months as we complete the next EELV contract award. At the other end of the procurement spectrum, we established commodity councils to strategically source installation level services and material for information technology, knowledge based services, civil engineering, force protection, medical services, and commodities. The Civil Engineering Commodity Council awarded two five-year contracts in August 2011 for LED taxiway lighting that is expected to reduce costs by over 30 percent and reduce energy consumption by 60 percent over incandescent lighting. The Air Force accomplished this through analysis and aggregation of our buying power across the enterprise.

The last example is the work to establish and codify a standard method for root cause problem solving and continual process improvement within the Air Force. We call it Air Force Smart Operations (AFSO) and our airmen apply tools, such as Lean and Six Sigma, to identify and eliminate waste. We have established proven commercial practices in an AFSO eight-step problem solving model. We have trained Air Force leaders and certified practitioners to help solve problems from the shop level to enterprise-wide in order to maintain mission effectiveness. We have applied problem-solving from root cause as part of our continuing efforts to strengthen the Air Force nuclear enterprise. We are directing commanders to use appropriate problem-solving tools, including the eight-step model, for all Inspector General-identified deficiencies.

These are just a few examples of significant change we have made. I look forward to reporting in the future more successes in driving fundamental change to financial management, information technology, human resources, and other areas of logistics and installation business practices in which we are engaged.

Ms. BORDALLO. I believe that these challenging times present us with an opportunity to review how we do businesses and find ways to improve our processes. The effects of sequestration are obviously detrimental to the readiness of our Armed Forces; I would like to know examples of how any of the Services and OSD have made fundamental changes to your business practices in light of the austere fiscal times.

General AMOS. The Marine Corps maintains a long-standing reputation in the Department of Defense as being a frugal, lean Service that delivers the best value for the defense dollar. As such, the Marine Corps has adapted to budgetary reductions by continuing our tradition of pursuing ways to streamline operations, identify efficiencies, and reinvest savings in order to get the most out of every dollar. It is this mentality that has allowed us to continue to provide the best trained and equipped Marine units to Afghanistan, even in this era of constrained resources.

The Marine Corps recognizes the fiscal realities that currently confront the United States, and we are already making hard choices inside the Service and ensuring that we ask only for what we need as opposed to what we may want. We understand that the Nation will face difficult resource decisions in the future, and these difficult times will undoubtedly have an impact on the manner in which we address the challenges presented by an uncertain and ever-changing world. The Marine Corps has aggressively sought and found efficiencies in how we spend our scarce resources, and these efficiencies have saved precious resources while ensuring the Marine Corps remains America's "Force in Readiness." Savings have been found through reductions in basic allowance for housing costs, more efficient use of energy, greater use of simulators/reduction in training ammunition, and more efficient procurement practices. Additionally, we have undergone extensive audits for the past three years with ever improving results.

However, the lack of an appropriations bill and the implementation of sequestration have had a negative impact on the Marine Corps' ability to reap the savings we initially expected. For example, under the CR, new starts are prohibited without specific approval. This means that options on existing contracts may have to be renegotiated, which will likely prevent the Marine Corps from receiving any expected pricing benefits. This is especially true of savings that were expected to result from

multi-year procurements such as MV-22. Loss of the ability to enter into a multi-year procurement for the MV-22 will undo months of tough negotiations that would have resulted in approximately \$1 billion in cost avoidance and reductions in total program cost.

Sequestration threatens our efforts and will impact all of our investment programs through increased unit costs, schedule delays, and slowing of necessary research and development. For example if sequestration occurs, the Ground/Air Task Order Radar (G/ATOR) program will likely have a Nunn-McCurdy breach. The potential impact of such a breach will include a restructuring of the program and a delay of initial operational capability by two years. The G/ATOR's production transition, including timely semiconductor technology insertion, will also be significantly impacted leading to a loss of planned cost savings and misalignment of funding due to a shift in schedule.

In the area of operations and maintenance, the Marine Corps will have to mortgage the future to pay for readiness today—we will have to forgo necessary modernization and sustainment to support our forward deployed forces. We are tasked by the Congress to be the most ready when the Nation is least ready. In order to accomplish this, we have been forced to make sacrifices in our modernization and infrastructure sustainment accounts to pay for the readiness of today's force. This will mean that we will be forced to delay the purchase of new equipment and maintain legacy equipment for longer periods of time, incurring greater maintenance cost. Further, our facilities will not be sustained at planned rates, meaning that maintenance will be delayed or omitted, hastening the deterioration of buildings, and driving up long term costs and the ability to properly train our force.

The Marine Corps prides itself on its “get by with less” mentality, and we have always sought more efficient ways of fulfilling our mission. We clearly recognize that we and the Nation are entering a period of austerity, and we have identified numerous efficiencies and reductions—we will continue to deliver the best Marine Corps the Nation can afford. Unfortunately, the current fiscal uncertainty will likely undo a number of these initiatives, which will result in further setbacks and exacerbate the effects of the CR and sequestration-induced reductions.

Ms. BORDALLO. I believe that these challenging times present us with an opportunity to review how we do businesses and find ways to improve our processes. The effects of sequestration are obviously detrimental to the readiness of our Armed Forces; I would like to know examples of how any of the Services and OSD have made fundamental changes to your business practices in light of the austere fiscal times.

General GRASS. The National Guard Bureau has instituted strict management controls to validate our operations and maintenance requirements and to limit our expenditure of funds to those requirements that are critical to our mission of ensuring a trained and ready National Guard. All travel not related to critical aspects of that mission has been suspended. Service contracts that don't directly and substantially contribute to that mission are being scrutinized for reduction or discontinuation. Supply purchases for office requirements have been significantly curtailed. Civilian term employees are being dismissed, and we've instituted a hiring freeze for all new civilian personnel actions. Career civilian employees are subject to being furloughed by 20% of their normal hours within each pay period.

Ms. BORDALLO. I believe that these challenging times present us with an opportunity to review how we do businesses and find ways to improve our processes. The effects of sequestration are obviously detrimental to the readiness of our Armed Forces; I would like to know examples of how any of the Services and OSD have made fundamental changes to your business practices in light of the austere fiscal times.

Secretary HALE. The Department of Defense has always taken its duty to be an excellent steward of taxpayer dollars very seriously. The Department takes this duty seriously both because of its responsibility to the American taxpayer and also because improved business practices better serve the warfighter. Through the continued implementation of the Secretary's Efficiencies Initiative and President Obama's Campaign to Cut Waste, as well as its broader business transformation efforts, DOD has focused on reducing costs, ensuring that policies and controls are in place to prevent waste, duplication, or abuse, and improving business outcomes.

Through these initiatives the Department has identified billions of dollars to shift from “tail to tooth,” made specific, targeted policy improvements and cost reductions in areas such as travel and conferences, and pursued many broader business improvement efforts. These broader business improvement efforts include initiatives such as Financial Improvement and Audit Readiness, acquisition and contracting reform, logistics and supply chain management improvements, information technology

and defense business systems investment and acquisition management improvements, and energy efficiency efforts.

QUESTIONS SUBMITTED BY MR. LOEBSACK

Mr. LOEBSACK. How are decisions being made about the impact of workforce reductions on the military, civilian, and contractor workforces? What factors, such as retaining critical skills in the civilian workforce, are being taken into account in decisions regarding reductions to each one of these segments of the workforce? How are these reductions being balanced across the total force?

Secretary CARTER. Within whatever funds are available, the Department's military and civilian workforces, as well as contracted support, are sized and structured based on the capabilities needed to implement the national military and security strategies of the United States. The sourcing of functions and work among military (active/reserve), civilian, and contracted services must be consistent with workload requirements, funding availability, readiness and management needs, as well as applicable laws, even in times of budgetary uncertainty and reductions. Under sequester, the military personnel account has been exempted by the President and all other programs must take equal reductions in funding.

The Department aligns its workforces (both in size and structure) to mission. As such, the Department formulates the current size or possible reductions/increases in the workforce based on mission workload rather than competency or skill gaps to deliver capabilities. The capabilities-based approach is predicated on a mission, function, and task construct and informed by current and projected workload, risk mitigation, and resource availability. The budgetary environment, including the current hiring freeze and sustained pay freezes, along with the potential furloughing of civilians employees has an adverse impact on the Department's ability to recruit and/or retain talented civilian employees, including those that have critical skills.

As funding is reduced, we will strive to maintain a properly sized and highly capable civilian workforce that is aligned to mission and workload. However, under the sequester, the military personnel accounts have been exempted and many contracts are fully funded, while civilians will be furloughed to make up for the funding gap. As a result, a balanced approach is very difficult.

Mr. LOEBSACK. How will sequestration and a Continuing Resolution affect the transfer of new missions to Air National Guard units that are seeing a change of mission under the re-submitted FY13 Air Force budget plan that was approved as part of the FY13 NDAA?

General GRASS. Sequestration and a Continuing Resolution (CR) will affect Air National Guard unit mission conversions, but to what degree remains to be determined. Depending on how and when the sequester is addressed, we could see anything from minor delays in initiating conversions (delays in environmental assessments and site activation task force visits), to severe delays which would put conversions at risk (formal training cancellation and unit flying training cuts). Sequester could reduce or altogether prevent equipment procurement and facility funding, and would prevent the 5 ANG MQ-9 Reaper units in conversion from even reaching an Initial Operating Capability (IOC). This would also be true for Intelligence missions relying on equipment and facilities to reach IOC.

The questions surrounding sequestration and CR could also affect the ability of units converting to new missions to recruit personnel due to uncertainty and lack of predictability. In fact, when Air National Guard members see technician furloughs and massive cuts in operations, training deployments and other areas, this could erode retention which will further hinder a unit's ability to convert. It is very difficult to accurately quantify the total impact to Air National Guard personnel.

QUESTIONS SUBMITTED BY MR. SHUSTER

Mr. SHUSTER. Does the Department of Defense continue to believe that it is inappropriate for industry to issue WARN Act notices even though you are about to start notifying DOD civilians?

Secretary CARTER. As circumstances evolve, each contractor must make its own decisions with regard to sequestration's impact on its business and whether the requirement to issue WARN Act notices has been triggered. As made clear in the Department of Labor's Training and Employment Guidance Letter No. 3-12, if and when "specific closings or mass layoffs are reasonably foreseeable," notice would be required.

Mr. SHUSTER. Now that DOD will only have seven months to pay for the sequester in FY13, when will contract modifications, or other changes that will affect our industry partners, begin?

Secretary CARTER. The Military Departments and Defense Agencies will announce plans to de-scope some of their operations and maintenance-funded service contracts and subsequently make decisions to not exercise options or not award follow-on contracts. An example is Navy's decision to delay overhauls and the Army decision to defer depot maintenance. Another is the reduction in our base maintenance posture.

The Department has consistently stated and still does not anticipate having to terminate or significantly modify many contracts as a result of sequestration. This is because most existing contracts are fully funded at the time of contract award; incrementally funded contracts would have to be reviewed on a case by case basis.

As a rule, the Department does not terminate fully-funded contracts if termination costs will not result in significant savings. During sequestration, cost savings will arise from buying less in the future rather than terminating contracts.

Finally, it should also be noted that once a contract is terminated, it takes months to reprocure under a new contract, increasing the workload on an already taxed acquisition workforce, and increasing the costs of the program in the long term.

Mr. SHUSTER. Will DOD continue to cover the costs of any litigation associated with industry's failure to issue WARN notices?

Secretary CARTER. As circumstances evolve, each contractor must make its own decisions with regard to sequestration's impact on its business and whether the requirement to issue WARN Act notices has been triggered. As made clear in the Department of Labor's Training and Employment Guidance Letter No. 3-12, if and when "specific closings or mass layoffs are reasonably foreseeable," notice would be required, and if a contractor failed to provide appropriate notice in that circumstance that failure would be taken into account in the application of the relevant Federal Acquisition Regulations principles in the determination of the allowability of any costs related to litigation.

Mr. SHUSTER. What are the current backlogs at Letterkenny Army Depot in Chambersburg, PA?

General ODIERNO. Assuming the cancellation of new 3d and 4th Quarter orders, LEAD programs with funded work available include: Route Clearance Vehicle, Force Provider, Aviation Ground Power Unit, Theater Readiness Monitoring Directorate Equipment, Family of Medium Tactical Vehicles, Patriot Missile/Radar and numerous additional programs to include other Service work.

However, the Army is currently reviewing the work scheduled at LEAD to determine if it supports the Army's most critical priorities. We will realign work and available funding to meet the Army's most critical priorities to mitigate some of the projected \$18 Billion OMA shortfall that the Army estimates will occur due to the Continuing Resolution, Sequestration and Emerging Overseas Contingency Operation (OCO) requirements.

Mr. SHUSTER. What is the projected increase to these logs by cancelling the 3rd and 4th quarter depot maintenance and reset orders?

General ODIERNO. Ongoing work at Letterkenny Army Depot funded programs is being assessed. Cancellation of new 3d and 4th Quarter orders will defer some Route Clearance Vehicle, Force Provider and generator work.

The Army is evaluating ongoing and scheduled work at Letterkenny Army Depot to ensure that it supports the most critical requirements. Less critical work will be deferred and addressed once funding becomes available.

The Army has an approximate \$18B shortfall due to the combined impact of the Continuing Resolution, Sequestration and Emerging Overseas Contingency Operations (OCO) requirements.

Mr. SHUSTER. What is the projected timeframe to get caught up on this log as a result of the sequester? Does this increased backlog effectively take into account the additional loss of the highly skilled and technical workers at this depot and the other depots from the estimated predictions of laying off an additional 5,000 individuals from the original assessment? Additionally, if funding does return for these essential programs, has the realistic difficulty to bring these highly demanded individuals back to the depots been realized in these analyses?

General ODIERNO. We anticipate that it will take 2-3 years to get caught upon on this backlog, depending on availability of funding and resolution of the Continuing Resolution (CR) and Sequestration. The expected backlog increase does take into consideration workforce adjustments—loss and reconstitution of highly skilled and technical workers—due to funding availability. Letterkenny Army Depot estimates that it will lose 796 personnel in FY13 and 174 in FY14 due to the CR and Sequestration.

Additional programs and increases to current planned quantities will be initiated based on Army prioritization and receipt of funding. Workforce shaping takes into consideration available funded workload in FY13, as well as the forecasted workload requirement in FY14 from the Army, Navy, Air Force, Marine Corps, foreign militaries and other Government agencies. Flexibility in the workforce is always planned to ensure that changes in workload can be addressed in a timely manner given some certainty in the budget process. Absent budget certainty, we cannot provide the workforce with predictable employment.

This uncertainty in funding due to the combined effects of the CR, Sequestration, and Overseas Contingency Operations (OCO) requirements re-emphasizes the importance of having budget certainty so the department can adequately plan and make timely decisions to achieve equipment readiness at best value without jeopardizing capabilities—highly skilled and technical workers—that will be needed in the future.

QUESTIONS SUBMITTED BY MR. BARBER

Mr. BARBER. Last September, in this hearing room, I asked the Vice Chairs how the threat of Sequestration was affecting the morale of our service members and their families, and they all said there was significant anxiety among the force. Marine Corps General Dunford, in his response, focused on the civilian community. He was concerned, he said, because the civilian community takes care of our service members in the field. So if the civilian personnel are suffering here at home, that will translate to the service members not getting the support they need to finish the mission overseas. This is certainly true in my district, and I have heard the same concerns from my constituents. The civilian community in Southern Arizona makes many of the weapon systems that the Army, Navy, Marines and Air Force use in Afghanistan and around the world. They provide Information and Technology support to the troops in the field. They help make our installations run smoothly. They answer the phones, and deliver the mail. And I would say we are treating both our service members and our civilians poorly by not providing them with any certainty for their future. Secretary Carter, can you tell me, if Sequestration comes to pass what measures has the Department of Defense taken to mitigate the potential loss to the civilians who work on post, or the civilian industrial base outside the gates?

Secretary CARTER. Due to sequestration, regrettably, the Department is forced to place most of our civilian employees on unpaid furlough for up to 22 discontinuous workdays. These furloughs translate to roughly a 20 percent pay cut over the next six months for our civilian employees. The Department is deeply concerned about the negative effects of furloughs on the morale and effectiveness of our valued civilians, and the impact on their pay will also affect the economies in the communities where they live and work. Sequestration will also affect Defense contractors, and thus, the industrial base. The Department is doing everything within our power to minimize adverse effects of sequestration on military readiness and the effects of sequestration on our personnel and priorities to the extent feasible.

Mr. BARBER. General Grass, I have a question about the effects of Sequestration on our National Guard units. If Sequestration is triggered March 1, I understand that there will be very little time in the remaining 6 months of the 2013 budget to absorb the cuts that the sequester will bring. National Guard units are supporting counterdrug efforts that run along the 80 miles of the U.S. border with Mexico in my district in Southern Arizona. A large amount of the drug smuggling, human trafficking, and transnational crime from Mexico takes place along those 80 miles and I'm very concerned about the possibility of a loss of resources that would adversely impact their ability to support border security efforts in my district.

The Department of Defense has reported that there will be funds and resources to support overseas operations, including National Guard units currently deployed, in the short term. But will we have enough for the operation and training of our Guard units here at home? What is the impact of Sequestration on the funding of the National Guard, and will the Sequester diminish the Guard's ability to perform their mission, whether along our border with Mexico, or responding to a natural disaster or national emergency?

General GRASS. Sequestration will significantly degrade the National Guard's ability to maintain a truly operational force, able to rapidly contribute to contingency operations both domestically and overseas. Further, if sequestration is executed in accordance with the current law, it will have a significant effect on training opportunities, equipment, and personnel readiness, which will have a negative impact on the National Guard as an operational force.

The National Guard Counterdrug Program could also potentially be subject to sequestration just as many other valuable DOD programs. Given the fiscal uncertainty of sequestration and a six-month Continuing Resolution, the Deputy Assistant Secretary of Defense for Counternarcotics and Global Threats and the National Guard Bureau distributed \$105.8 million (the President's requested level for FY2013) for the Counterdrug program in October 2012, along with guidance to reserve adequate funds to maintain a program for the entire fiscal year. Although the National Guard Program has received substantial congressional increases in recent years that could help mitigate a funding shortfall in the second half of the fiscal year, those additional funds would not likely be available until later in the fiscal year. It is my understanding that those funds could also be subject to cuts necessitated by the sequester.

On a related note, we do not currently anticipate any significant sequestration-related impacts to our support to the Department of Homeland Security's Operations Phalanx within Arizona.

QUESTION SUBMITTED BY MR. CASTRO

Mr. CASTRO. In your testimony regarding depot maintenance, you mentioned your desire for Congress to grant "relief" from the 50-50 Rule. This refers to Federal law mandating that no more than 50 percent of depot maintenance funds may be used for private sector work. Can you please elaborate on specific measures that may provide "relief" from the rule?

General WELSH. According to 10 U.S.C. § 2466, each Military Department may not spend more than 50 percent of all funds for contractor depot maintenance support. The requirement pertains to all depot maintenance funds regardless of the source of those funds. Each year the Secretary of Defense (SECDEF) submits a report to Congress showing the allocation of depot maintenance between the public and private sector. If a Military Department cannot comply with the 50 percent requirement, the SECDEF may waive the 50 percent limitation and is required to submit a notice of the waiver to Congress along with the reasons that a waiver is necessary. At this time the Air Force is uncertain as to whether it will require a SECDEF waiver from 50/50, but believes that it is prudent to alert Congress that a breach may occur. If required, a waiver to fiscal year 2013 (FY13) will be requested from SECDEF in accordance with the law as soon as the impacts to the continuing resolution (CR) and sequestration reductions have been finalized. The extent, specifics, and duration of the waiver request will depend on the actions Congress takes to address the FY13 and beyond CR and sequestration reductions.

QUESTION SUBMITTED BY MS. DUCKWORTH

Ms. DUCKWORTH. In the face of sequestration, it is troubling that the DOD is still considering expenditures such as DISA's proposed building of a brand new multi-protocol label switching—MPLS—network that would basically take over the existing Internet backbone in use by the individual Services. Such an expenditure would require major capital investment, estimated between \$5–15 billion, and an ongoing yearly maintenance tail for all the new hardware to be purchased. The proposed DISA MPLS network will not be available at a fully functioning capability for at least 5 years and will likely degrade security capabilities from those that are being provided to DOD already under existing contracts with commercial network providers. These commercial network providers are trusted by Wall Street and other financial services providers with records of efficiency and efficacy for handling billions of financial transactions annually. So why, when faced with sequestration, is the Department of Defense building an entirely new Government network with degraded capabilities, less security, and significantly higher costs that will directly compete with the existing more secure, lower cost ones provided by commercial providers? Also, in keeping with our fiduciary responsibilities to the American people: What measures are you taking to provide oversight and monitor the Business Case Analysis supporting DISA's proposal to indicate the true cost, functionality, and legality of this investment?

Secretary CARTER. The DOD is not buying a new network, rather we are implementing technology refresh for an existing network (the Defense Information Systems Network, or DISN) that has existed for many years supporting the internal DOD IT capability, providing mission critical support to the Department and Intelligence Community and resulting in significant savings. The current effort is an initiative to improve efficiencies and more closely align with commercial trends and network evolutions.

The ongoing efforts to upgrade our network infrastructure are critical since the existing technologies and equipment used in our infrastructure are becoming obsolete and will soon not be supported (for example Asynchronous Transfer Mode) by the vendor community. The primary focus is to converge multiple, disparate physical and protocol networks into a common, standards-based network. Key to this is the implementation of Multi Protocol Label Switching (MPLS) technology as the standard network protocol. The technology refresh will begin this quarter using the existing technical refresh budget and the first instantiation is expected by the end of Calendar Year 2014. This will continue for several years. All security required is being provided via existing DISN encryption and security methodologies that meet or exceed all standards and requirements. Additionally, we are currently using an instantiation of this capability to support the National Geospatial-Intelligence Agency in Southwest Asia.

QUESTIONS SUBMITTED BY DR. WENSTRUP

Dr. WENSTRUP. Why does the National Guard have separate representation on the Joint Chiefs of Staff but the Reserve does not? If sequestration occurs, to what extent are you willing to expand our Reserve forces to mitigate the effects of reductions in Active Duty force strength?

General DEMPSEY. There are six individual Reserve Components (RCs) in the Department of Defense and two of them reside in the National Guard. The Army National Guard and Air National Guard have gained additional representation on the Joint Chiefs of Staff (JCS) since the designation of the Chief, National Guard Bureau (CNGB) as a permanent member of the Joint Chiefs of Staff by the Fiscal Year 2012 Defense Authorization Act. The statute specifies the CNGB role of addressing matters involving non-Federalized National Guard forces in support of homeland defense and civil support missions. Army, Navy, Air Force and Marine Reserve and Active Components are fully represented on the JCS through their respective Service Chiefs.

The Active and Reserve Component mix of forces is a complex balance of capabilities weighed against our global posture. As Chairman, I have made it clear to all of the Joint Chiefs that we must ensure the long-term viability of the Joint Force of 2020 and beyond, which requires special attention to the strategic capacity provided by properly manned, trained and equipped Reserve Components. We have also learned over the past 10 years of war that an intelligently planned rotation of Reserve Component units into our operational deployments preserves the capabilities of those units manned by our nation's citizen-soldiers, sailors, airmen, and marines.

Dr. WENSTRUP. Why does the National Guard have separate representation on the Joint Chiefs of Staff but the Reserve does not?

General GRASS. On December 31, 2011, the President signed into law the National Defense Authorization Act for Fiscal Year 2012 (P.L. 112-81). Section 512 of this NDAA amended section 511(a) of title 10, United States Code, adding the Chief of the National Guard Bureau as the seventh member of the Joint Chiefs of Staff. As a full member of the Joint Chiefs of Staff, the Chief of the National Guard Bureau has the specific responsibility for "addressing matters involving non-Federalized National Guard forces in support of homeland defense and civil support missions."

QUESTIONS SUBMITTED BY MRS. WALORSKI

Mrs. WALORSKI. General Dempsey, at the time the President's budget request for FY13 was submitted, following the first \$487 billion in cuts, did you believe those cuts and that budget request represented the limits of the acceptable degree of risk? If so, can you please speak to the additional risks presented by the following scenarios? a. Sequestration and a Continuing Resolution at FY12 levels. b. A partial mitigation of sequestration or CR.

General DEMPSEY. Yes, but determining acceptable levels of risk is at the President's and Secretary's discretion. At the time the Budget Control Act was passed, I believed we would be able to achieve our national security objectives within the law's resource limits and the Defense Strategic Guidance.

Under sequestration and a full-year continuing resolution we will no longer be able to execute this strategy. Taken together, sequestration and the continuing resolution will lead to declining readiness rates and, with limited ability to shape necessary but difficult budget decisions, hollow our force. The cuts will also have a demoralizing effect on our civilian workforce, require us to take sharp cuts in critical investment programs and reduce our forward presence in strategically important re-

gions. This means we will need more time to respond to crises or advance our security objectives; we will have reduced capacity to maintain global awareness during a crisis; and we will retain limited ability to respond to multiple crises. Ultimately, slower response and less capacity will impose greater risks to our forces.

Sequestration's impact is felt in both its magnitude and mechanism. Because of the law's inflexibility and magnitude of the funding cuts in FY13, we must disproportionately reduce our readiness and investment accounts, which are both key areas to preserve our Joint Force. Likewise, the continuing resolution inhibits our ability to move resources between accounts, which drives current readiness and forward presence decisions. Having additional flexibility in the near-term to prioritize critical accounts will lead both to longer-term savings and help preserve the readiness of our forces. It is therefore essential to have regular appropriations with appropriate transfer authority between accounts. However, given the magnitude of the additional cuts, flexibility alone will be insufficient to execute our current strategy.

Mrs. WALORSKI. Concerning plans briefed by each Service to reduce costs by cancelling scheduled deployments of units either overseas or on training center rotations, what will the personnel in those units do to minimize: a. loss of individual proficiency, b. loss of collective unit proficiency, c. erosion of morale, and d. disruption of career progression?

General DEMPSEY. If sequestration goes into effect, commanders will take advantage of local resources to maintain individual and unit readiness as best they can. Commanders will try to preserve individual proficiency through weapon ranges, virtual training facilities, and Military Occupational Specialty (MOS) training. Additionally, Service Members may take advantage of distance learning centers, local colleges or universities and online resources to further individual development and limit the disruption of individual career progression. However, installation commanders will be challenged to prioritize resources due to the installation's reduced funding and furloughed civilian workforce.

Mrs. WALORSKI. At the time the President's budget request for FY13 was submitted, following the first \$487 billion in cuts, did you believe those cuts and that budget request represented the limits of the acceptable degree of risk? If so, can you please speak to the additional risks presented by the following scenarios? a. Sequestration and a Continuing Resolution at FY12 levels. b. A partial mitigation of sequestration or CR.

General ODIERNO. In 2010, the DOD developed a ten-year plan to achieve nearly \$300 billion in efficiencies under Secretary Gates. To comply with the discretionary caps outlined in the Budget Control Act of 2011, the FY 2013 Budget proposed \$487 billion in DOD funding reductions over ten years, of which the Army's share is estimated to be \$170 billion. Consistent with the drawdown of forces in Afghanistan and Iraq and in support of the 2012 Defense Strategic Guidance, the Army is in the process of reducing the authorized endstrength for active duty from a wartime high of about 570,000 to 490,000, the Army National Guard from 358,000 to 350,000, the U.S. Army Reserve from 206,000 to 205,000, and the civilian workforce from 272,000 to 255,000 by the end of fiscal year 2017 (FY17). This is a net loss of 106,000 soldier and civilian positions.

By FY17, we will downsize our active component force structure from 45 Brigade Combat Teams to potentially as low as 32. On January 18th, we released a Programmatic Environmental Assessment describing the impact of potential force structure reductions across the Army. We began these force reductions in FY12 focused initially on our overseas formations. In 2014, however, we will begin significant force reductions in the United States. In addition to personnel and force structure reductions, we have had to extend the timelines of our modernization programs and reduce the frequency of our training exercises. Our efforts to both comply with the 2011 Budget Control Act and implement 2012 Defense Strategic Guidance put us on the outer edge of acceptable risk for creating the future Army force and our ability to meet our National Security Strategy.

The actions we have taken in response to the 2012 Defense Strategic Guidance are independent of the continuing resolution and sequestration. However, the domestic impacts of these actions are only now beginning to be felt and will be magnified over the next several years.

In Fiscal Year 2013, the combination of the continuing resolution, a shortfall in overseas contingency operations funds for Afghanistan, and the sequester has resulted in at least \$18 billion dollar shortfall to the Army's Operation and Maintenance (OMA) accounts, as well as an additional \$6 billion worth of cuts across all of our other programs. The impacts of these shortfalls will cause the Army to focus training resources on next-to-deploy units and to accept significant risk in the training of non-deploying units. The Army will no longer be able to train next-to-deploy

units to the highest level of readiness prior to deployment, equipment readiness will continue to decline and the leader development backlog will expand. Additionally, the Army will not have trained forces available to respond to emerging contingencies in a timely manner. Restoring adequate readiness across the force will take years and significant resources. In addition to the immediate impact of sequestration for FY13, the lowering of discretionary caps for FY14–FY21 will have long term impacts that extend far beyond the current fiscal year. In order to maintain a balance between end strength, readiness, and modernization, the Army will have to reduce additional 100,000 personnel across the Active Army, Army National Guard and U.S. Army Reserve. This will generate, at a minimum, a total reduction of 189,000 soldiers in the coming years, but the figure will probably be closer to 200,000. These reductions of 14% of the Army's endstrength will equate to an almost 40% reduction in our Brigade Combat Teams and excess U.S.-based installation infrastructure.

A partial mitigation of sequestration or CR in FY13 will not resolve the Army's \$18 billion OMA shortfall. Immediate removal of budgetary reductions triggered by sequester and a FY13 appropriations bill still leaves the Army with a \$5–7 billion shortfall in OMA due to emerging costs associated with Overseas Contingency Operations in Afghanistan. An appropriations bill would resolve one third of the Army's OMA shortfall and allow flexibility for us to prioritize funding cuts through reprogramming actions. In addition, the removal of the across the board nature of sequester for FY13 would increase flexibility and prevent cuts to our top priority programs. Even if we get relief through these mitigations, the budget reductions in FY13 and beyond that are associated with sequestration will pose a significant risk to Army readiness and will force us to reconsider the Army's ability to execute its obligations under the Defense Strategic Guidance.

Mrs. WALORSKI. Will Professional Military Education and Permanent Change of Station (PCS) costs be reduced at the same or greater rate as readiness-related activities such as ship deployments, flying hours, and training center rotations?

General ODIERNO. The essence of readiness is founded upon quality leadership, supported by the best equipment, training and people. Professional Military Education is a national strategic resource; it is the way we cultivate the leadership that is so critical to meeting current deployment requirements and generating long-term readiness in our Army. The current fiscal situation is challenging. However, history definitively shows that we will deploy soldiers again and we must be careful we do not mortgage our great strategic advantage—our world class leaders.

There will be some reductions in PME expenses, but not in PCS costs associated with PME. PCS costs are paid from the MPA authorization, which is not subject to sequester. However, many PME courses are attended by personnel in a temporary duty status, which is funded by OMA. Due to FY13 OMA funding shortfalls, we expect a commensurate reduction in the historical output of our schools, about 20,000 officers/NCOs a year. While the exact magnitude of the cut is being finalized, we expect it to increase the wartime backlog of 30,000 Active Component NCOs, 3700 Active Component WO/Officers and 30–60% of most Reserve Component cohorts. Furthermore, FY13 shortfalls in OMA will require us to cancel the NCOES common core distance learning program. Finally, we may have to cancel the Structured Self Development (SSD) program. Many mandatory subjects and all Joint training for NCOs reside in the SSD, so the impact of this change will be significant. We are currently working to determine the exact amount of all of these cuts.

Mrs. WALORSKI. I want to discuss a program of great significance to our future military readiness, the Joint Light Tactical Vehicle (JLTV). As currently constituted, the program will deliver prototype vehicles for testing later this year, with low rate production scheduled to begin in 2015. I worry that the progress that has been made in streamlining the program timeline while reducing costs will be compromised if the budget cuts we are talking about go into effect. Can you please give the Committee a sense of your plan to ensure this program remains on track to deliver a vehicle by 2015? If the program is delayed, what problematic issues might face maintenance and overhaul on humvee and other light tactical vehicles in the current inventory while waiting for JLTV to start production?

General ODIERNO. The JLTV Joint Program Office has made substantial progress in streamlining the program timeline, and both the Army and Marine Corps remain committed to the program. JLTV is currently on schedule to meet the proposed Milestone C in third quarter fiscal year 2015 (3QFY15) and Low Rate Initial Production (LRIP) contract award in 4QFY15. However, that schedule cannot be maintained in the face of possible sequestration reductions, resulting in an approximate schedule slip of three months without a reduction to planned testing. Vendor contracts are firm fixed price and FY13 funds have been fully obligated. Any sequestration cuts would have to be taken from the program's remaining FY13 test budget.

Even assuming a sequestration cut is fully “paid back” in FY14, the program could not restore the original schedule. Any efforts to preserve the current program schedule, despite the reduction imposed by sequestration, would require reduction in planned test activities. This change would be subject to the agreement of Service and DOD test agencies and would also increase the program risk. If the JLTV program is delayed, there is moderate risk associated with the readiness of the HMMWV fleet. The Army has planned for enduring HMMWV requirements well into the future, so maintenance and overhaul capabilities are already established. Even after 100 percent of JLTVs (49,099) are fielded, HMMWVs (59,000) will outnumber JLTVs. Additionally, through Recapitalization and Reset efforts over the past several years, the HMMWV fleet is in very good health. The current average age is nine years, so a modest delay in the JLTV program will not have a significant impact on the Light Tactical Vehicle fleet.

Mrs. WALORSKI. Will Professional Military Education and Permanent Change of Station (PCS) costs be reduced at the same or greater rate as readiness-related activities such as ship deployments, flying hours, and training center rotations?

Admiral GREENERT. Professional Military Education will be impacted at the same rate as other readiness-related activities to meet the Navy’s overall reduction target. Reductions within the Training and Education domain will impact capabilities supporting Professional Military Education, to include contractor support to education, War Gaming and Maritime Staff Operators Course (MSOC). Limitations on travel, the civilian hiring freeze and the potential civilian furloughs will also impact the ability to deliver Professional Military Education.

The Navy PCS program is funded in the Military Personnel, Navy (MPN) appropriation. The majority of funding in the MPN appropriation is directly tied to strength and must be paid for each member on-board. PCS funding, however, is not strength-related and could be reprogrammed to offset strength pay requirements if sufficient funds are not available under the Continuing Resolution. In accordance with Section 255(f) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, the President exempted Military Personnel accounts (Military pay, benefits and PCS) from Sequestration.

Mrs. WALORSKI. Will Professional Military Education and Permanent Change of Station (PCS) costs be reduced at the same or greater rate as readiness-related activities such as ship deployments, flying hours, and training center rotations?

General WELSH. The President exempted the Military Personnel Account from sequestration and the Permanent Change of Station (PCS) budget is part of that account. In this light, we will continue our long-term Professional Military Education (PME) programs. The Air Force considers long-term PME as mission critical. The PME schools are essential to developing the in-depth, critical thinking skills needed by our strategic leaders. Intermediate-level Air Command and Staff College (ACSC) and senior-level Air War College (AWC) help the Air Force develop the intellectual framework necessary to cultivate Air Force personnel with the skills and knowledge needed to make analytical and strategic decisions within the national security environment. The Air Force must continue to build a cadre of leaders who have been deliberately developed to operate in the complex, uncertain, and ambiguous environment of 21st century warfare.

Mrs. WALORSKI. Do you believe the \$487 billion in cuts and the FY13 budget request represented the limits of the acceptable degree of risk? If so, can you please speak to the additional risks presented by the following scenarios? a. Sequestration and a Continuing Resolution at FY12 levels. b. A partial mitigation of sequestration or CR.

General AMOS. Yes, the \$487 billion in cuts and the FY13 budget request represent the limit of our acceptable degree of risk. As stated in the February 2012 Posture of the United States Marine Corps report to this committee, the four priorities for the Marine Corps are: (1) provide the best trained and equipped Marine units to Afghanistan; (2) rebalance our Corps, posture it for the future and aggressively experiment with and implement new capabilities and organizations; (3) better educate and train our marines to succeed in distributed operations and increasingly complex environments; and (4) keep the faith with our marines, our sailors, and our families. Those priorities can be accomplished at requested FY13 budget levels, albeit with some degree of risk.

Assuming sequestration and a full year Continuing Resolution, the risk to our ability to accomplish these priorities increases exponentially, and cuts of this magnitude, due to their timing and methodology, will have a devastating impact on our readiness, both short and long term. The combined effects of an annualized continuing resolution and sequestration pose a severe risk to our national strategy, our

forces, our people, and to the United States of America. While the Marine Corps may be able to mitigate the near term effects on our deployed forces, it will be at the expense of home station units and our long term readiness—we are mortgaging long term readiness to form a short term capability to address immediate priorities.

Despite the constrained funding resulting from the CR and sequestration, we expect we will be able to continue meeting Marine Corps deployed warfighting needs and the training of next-to-deploy forces for the next six months. Between six and twelve months, however, we'll continue to decrement readiness accounts resulting in an ever increasing erosion of home station unit readiness and force modernization; we also expect that we will begin to see small impacts to our next-to-deploy forces. Beyond 12 months, we will see a real impact to all home station units and more substantial impacts to our next-to-deploy and some deployed forces—in all, a slide to a hollow force we have fought so hard to avoid. Our Marine Expeditionary Forces (MEFs) will be forced to postpone or cancel preventive maintenance and selectively replace replacement equipment with reduced readiness in the last half of 2013, with a ripple effect on training, negatively impacting readiness. In aviation, the Marine Corps' F/A-18 squadrons, as an example, will still be able to source the required aircraft to meet operational commitments, but the squadrons that are preparing to deploy will only have five of the twelve aircraft that compose a squadron available for training by January of 2014. Additionally, each of the pilots in those squadrons preparing to deploy would complete approximately seven hours of training per month when the minimum deployable readiness requires approximately seventeen hours per month. For the individual aircrew, this equates to greater personal risk due to less experience—for the Nation, it means we will respond with less ready forces, and we will pay a price in terms of lives and equipment. We predict over 55% of USMC forces (ground combat, logistics, and combat support) will have unsatisfactory readiness ratings, which will have a dramatic impact to respond to crises outside of Afghanistan when called upon by the Nation.

A partial mitigation of sequestration or CR, depending on how it would be implemented, could serve to lessen the risk to our ability to meet our four priorities and could slow the rate of readiness deterioration. However, the cumulative effect of multiple years of cuts will cause the Marine Corps to re-evaluate current plans and make difficult decisions regarding which missions would continue to be supported. Depending on the manner in which a partial mitigation would be implemented, the Marine Corps may still have to mortgage the future to pay for readiness today, foregoing necessary modernization and sustainment to support our forward deployed forces. This would mean that we would be forced to delay the purchase of new equipment and maintain legacy equipment for longer periods of time, incurring greater maintenance cost. Further, our facilities would likely not be sustained at planned rates, meaning that maintenance will be delayed or omitted, hastening the deterioration of buildings and driving up long term costs and the ability to properly train our force.

Mrs. WALORSKI. Will Professional Military Education and Permanent Change of Station (PCS) costs be reduced at the same or greater rate as readiness-related activities such as ship deployments, flying hours, and training center rotations?

General AMOS. Permanent Changes of Station and Professional Military Education for our marines are, in and of themselves, readiness related activities and are critical to our ability to accomplish our mission. Without the ability to move marines to the correct unit, units will not be sourced with the proper personnel prior to deployment; without the ability to provide Professional Military Education, marines will not have the necessary training prior to deployment. These two components are key aspects of overall readiness.

The Marine Corps uses a framework by which it can manage its readiness as an institution. Called the Five Pillars of Institutional Readiness, this framework seeks to ensure that Service-wide activities lead to the proper balance among five categories (i.e. pillars) that underpin the readiness of the Marine Corps. These pillars capture the Marine Corps' approach for generating ready forces today and informing an investment strategy that will ensure the future readiness of the Marine Corps and enable it to meet the tenets of the Defense Strategic Guidance. Maintaining balance across these pillars is critical to achieving and sustaining the Nation's expeditionary force-in-readiness for today and tomorrow. The five pillars are:

- High Quality People (Recruiting, training, educating and retaining high quality people plays a key role in maintaining our high state of readiness).
- Unit Readiness (Maintaining readiness of the operating forces, including appropriate operations and maintenance funding to train to core missions and maintain equipment).

- Capacity versus Requirements (Force-sizing and naval capabilities to meet Geographic Combatant Commander requirements with the right mix of capacity and capability).
- Infrastructure Sustainment (Investing in real property, maintenance, and infrastructure).
- Equipment Modernization (Ensuring ground and aviation equipment matches the needs of the emerging security environment).

Sequestration, compounded by a full year Continuing Resolution, will result in across-the-board reductions that will affect all of the Marine Corps' readiness pillars, will allow for little to no flexibility in how the cuts are applied, and will mandate reductions in accordance with the law without regard for requirements and priorities. In the case of permanent change of station funding, the President exempted military personnel funding from sequestration cuts in FY13, and as such, PCS is not subject to a sequestration-induced reduction. The Operations and Maintenance (O&M) appropriation is subject to sequestration reduction and will be reduced by the amount prescribed by the law. Within the O&M appropriation, the Marine Corps will reduce programs such as professional military education such that we achieve the best balance possible among our pillars of readiness.

Mrs. WALORSKI. Will Professional Military Education and Permanent Change of Station (PCS) costs be reduced at the same or greater rate as readiness-related activities such as ship deployments, flying hours, and training center rotations?

General GRASS. Permanent Change of Station (PCS) costs are paid for using National Guard Personnel Appropriations funds, which are not affected by sequestration. The majority of Professional Military Education (PME) is also funded through the Personnel Appropriations; however, some PME courses would be curtailed due to budget constraints. In addition, Operations and Maintenance funds are used to support schoolhouses, and those could be subjected to sequestration impacts.

