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S. HRG. 113–108, PT. 3

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 2014 AND THE FUTURE YEARS DEFENSE PROGRAM

HEARINGS

BEFORE THE

COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE

ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

ON

S. 1197

TO AUTHORIZE APPROPRIATIONS FOR FISCAL YEAR 2014 FOR MILITARY ACTIVITIES OF THE DEPARTMENT OF DEFENSE, FOR MILITARY CONSTRUCTION, AND FOR DEFENSE ACTIVITIES OF THE DEPARTMENT OF ENERGY, TO PRESCRIBE MILITARY PERSONNEL STRENGTHS FOR SUCH FISCAL YEAR, AND FOR OTHER PURPOSES

PART 3
READINESS AND MANAGEMENT SUPPORT

APRIL 18 AND 24, 2013

Printed for the use of the Committee on Armed Services

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DEPARTMENT OF DEFENSE AUTHORIZATION OF APPROPRIATIONS FOR FISCAL YEAR 2014 AND THE FUTURE YEARS DEFENSE PROGRAM

THURSDAY, APRIL 18, 2013

U.S. SENATE,
SUBCOMMITTEE ON READINESS
AND MANAGEMENT SUPPORT,
COMMITTEE ON ARMED SERVICES,
Washington, DC.

THE CURRENT READINESS OF U.S. FORCES

The subcommittee met, pursuant to notice, at 2:38 p.m. in room SR–222, Russell Senate Office Building, Senator Jeanne Shaheen (chairman of the subcommittee) presiding.

Committee members present: Senators Shaheen, Donnelly, Kaine, and Ayotte.

Majority staff members present: Jason W. Maroney, counsel; Mariah K. McNamara, special assistant to the staff director; Michael J. Noblet, professional staff member; and John H. Quirk V, professional staff member.

Minority staff member present: Lucian L. Niemeyer, professional staff member.

Staff assistant present: John L. Principato.

Committee members' assistants present: Jason Rauch, assistant to Senator McCaskill; Chad Kreikemeier, assistant to Senator Shaheen; Marta McLellan Ross, assistant to Senator Donnelly; Karen Courington, assistant to Senator Kaine; and Brad Bowman, assistant to Senator Ayotte.

OPENING STATEMENT OF SENATOR JEANNE SHAHEEN, CHAIRMAN

Senator SHAHEEN. Good afternoon, everyone. Welcome. I'm sorry to be a little late; I'm not quite on military time yet, so you have to bear with me.

At this point, I'd like to call the hearing to order and point out that this is this subcommittee's first hearing of the year. I'm very pleased to be taking over as chair of the Readiness and Management Support Subcommittee and sharing the leadership with my colleague from New Hampshire, Senator Ayotte. I hope—and I'm confident—that we'll continue to lead the subcommittee in the strong bipartisan way in which she and Senator McCaskill did when Senator McCaskill chaired the subcommittee. I'm sure you

will be pleased to know that we will bring you, from time to time, concerns we have from the Granite State of New Hampshire. [Laughter.]

So, that, I'm sure, won't come as any surprise to any of you.

I think it's also important to note that we are continuing the successful partnership of having the chair and ranking member of this subcommittee both be women. I think that's fitting, since New Hampshire is the first State to send an all-female delegation to Washington.

So, we're very pleased to be joined this afternoon by General John F. Campbell, USA, Vice Chief of Staff for the Army; Admiral Mark E. Ferguson III, USN, Vice Chief of Naval Operations; General John M. Paxton, Jr., USMC, Assistant Commandant of the Marine Corps; and General Larry O. Spencer, USAF, Vice Chief of Staff for the Air Force.

So, gentlemen, we very much thank you for coming this afternoon, and look forward to a fruitful discussion. I should say at the start that we also thank you very much for your service to this country and for the job that you do for the men and women who serve under you. Thank you.

The Readiness and Management Support Subcommittee meets today at a pivotal moment to discuss the current readiness of our forces. Our men and women in uniform continue to be burdened by sequestration cuts enacted by the Budget Control Act (BCA) of 2011, which, if they remain in place, as I'm sure you all will testify today, will significantly impact the Services' ability to conduct training and maintenance, and to sustain their readiness.

Currently, the Department of Defense (DOD) will incur several billions of dollars in reductions to its vital operation and maintenance (O&M) budget accounts in fiscal year 2013. As we've learned from our many past Readiness and Management Support Subcommittee hearings, for the last several years, readiness rates have consistently declined. However, I worry that this new crisis represents an even greater loss of surge capability, risks the grounding of pilots who may lose flight certification, erodes aircrew readiness, and foreshadows the hallmarks of a hollow force if our ground troops can't train above the squad level.

It's important to note that the impact of sequestration will be felt, not only in our Active components, but also in our National Guard and Reserve.

As we know, our uniformed personnel are not the only ones at risk under sequestration. DOD has announced that it will furlough civilian employees up to 14 days. I understand from the Navy that, while these furloughs may garner about $308 million in sequestration reductions, it would also delay shipyard maintenance availabilities approximately 85 days and risk putting our ships behind schedule and possibly not available for deployment when we need them. Even worse, for the Navy, several accidents over the past year require unscheduled and unbudgeted repair work, such as with the USS *Miami*, which we're very familiar with because of its location at the Portsmouth Naval Shipyard, the *Guardian*, the *Porter*, and others.

The capital investment for the modernization of our shipyards will likely continue to suffer over fiscal year 2013. I know I speak

for Senator Ayotte when I say we eagerly await the shipyard modernization plan that we required in the National Defense Authorization Act for Fiscal Year 2012. We're interested in hearing from Admiral Ferguson on its status and how much risk you and all of the Vice Chiefs plan to take in your installation sustainment accounts.

In addition, we'd like to hear whether or not the Navy and the other Services funded the 6 percent of capital investment program, as required by law, in the fiscal year 2014 budget request.

We've recently learned that the agency responsible for purchasing fuel for DOD, the Defense Logistics Agency, will increase the price of fuel on May 1 from $156.66 per barrel to $198.24 per barrel. This fuel bill will cost DOD an additional $1.8 billion. The fact remains that fossil fuels continue to be a strategic and financial vulnerability, not only to the DOD, but also to our Nation.

Perhaps the most overlooked aspect of sequestration is that the cuts are not short-term savings for DOD, nor are they realized savings for the taxpayers. In reality, sequestration merely increases operational and strategic risk by deferring vital maintenance and canceling necessary training. I believe the consequences of sequestration will, unfortunately, end up costing us more in the long run. I remember the testimony of Deputy Secretary of Defense Ash Carter, when he talked about the fact that the unit cost of everything we purchase through DOD will go up as the result of sequestration. We are unnecessarily making it harder on our forces to prepare for deployment by reducing flying hours for our squadrons, delaying maintenance, and reducing training.

I understand that there are no easy tradeoffs for the witnesses here today. Chasing resources to meet military requirements is nothing new. I'm not advocating that it's financially responsible to have unlimited military spending. But, as we all know, sequestration was designed to be onerous because it was never supposed to get enacted. We should solve the problem now, before we reach a time when our ships, aircraft, troops, and equipment can no longer train or deploy.

However, I know there's also hope. There are always ways to improve the way we operate, and there are many initiatives that continue to succeed. For example, the continued commitment to pursue greater energy efficiencies and renewable energy sources offers an enhanced combat capability to the DOD. I had the opportunity to see some of the efforts that are underway—the more efficient generators, the solar blankets, the installation energy investments—last year, when I conducted a hearing down at Norfolk on the USS *Kearsarge*. It was really impressive what all of you are doing in each branch of our military to save on energy and to move to alternative sources of energy. I think that these energy policies should not be partisan. They reduce the burden upon those in combat. I thank you, General Campbell, for all of the great work that the Army is doing, along with all of the other branches, in this regard.

So, even in these challenging times, I remain confident and encouraged that we still have the most resilient fighting force in the world today. I remain optimistic, because, even after a decade of war and the severe stress from all angles, each of you find ongoing

ways to improve how you operate. For the past 11 years, our military has consumed readiness as quickly as they've been able to create readiness. We're beginning to see some operational relief as we draw down from Afghanistan.

I thank all of you, particularly the Army and the Marine Corps, for recommitting to training for the full spectrum of operations in your fiscal year 2014 budget request.

Again, I sincerely thank each of you for being here. I thank your hardworking staffs for taking time to join us in this critical readiness discussion. We ask that you include your full statements for the record and, if you would, summarize what you have to say, hopefully within a 7-minute timeframe, so we can have more time for discussion.

So, thank you all very much. I'll turn the discussion over to my colleague, Senator Ayotte.

STATEMENT OF SENATOR KELLY AYOTTE

Senator AYOTTE. Thank you very much, Madam Chairman. It was really truly an honor to be in the leadership of this committee with you and to serve with you on behalf of the people of New Hampshire. I very much look forward to working with you to make sure that we work together to do the very best for our men and women in uniform to ensure their readiness in very challenging times.

This has always been one of the things I truly enjoy about the Senate Armed Services Committee—the strong bipartisan support and work that we do together. I look forward to doing that, certainly, with you, Senator Shaheen. So, thank you so much.

I also want to thank very much our witnesses for your dedication and your distinguished service to our Nation. Despite these difficult times and all that we have asked of our servicemembers, recruiting and retention remains strong, and our units continue to accomplish their missions. This is a testament to the quality of our men and women in uniform, but it is also a testament to your leadership. So, thank you very, very much.

The tragic events in Boston this week remind us that, despite the heroic efforts of our military forces and also efforts on our homeland security over the past 12 years, our country still remains vulnerable to terrorist attacks. We heard, this morning, from Director of National Intelligence James Clapper, that, "national security threats are more diverse, interconnected, and viral than at any time in history." When faced with this ever-increasing range of threats, our Nation expects that our men and women in uniform will have the very best equipment and training that they need to protect our Nation. When our loved ones and fellow citizens step forward to serve, raise their right hand, and agree to deploy and face danger to protect the rest of us, we owe it to them to give them the very best support they can to accomplish their mission and to come home safely. When we fail to provide our servicemembers the very best training and equipment, we neglect our most fundamental constitutional duties as a Congress: to provide for the defense of this Nation.

Allies, rivals, and potential enemies around the world are watching. When we allow our military readiness to deteriorate, friends

and potential foes, alike, begin to question our resolve and capability, reducing the credibility of our deterrent. Potential enemies need to know that we have the capability to decisively respond to any attack on our Nation and on our citizens.

To solidify this deterrence, we need our military forces to be constantly ready to defend and protect our interests and those of our allies. Our military remains the very best in the world, and we are so proud of our military. But, as General Dempsey testified yesterday, "When budget uncertainty is combined with the mechanism and magnitude of sequestration, the consequences could lead to a security gap, vulnerability against future threats to our national security interests."

That is exactly what my concerns are, and I echo the concerns that were discussed by the chairman about the impact of sequestration.

In January 2013, the Marine Corps reported that over 50 percent of its nondeployed combat units were rated with degraded readiness, while the Army is reporting that over 70 percent of those same forces have significantly degraded readiness. The Air Force has reported that less than half of its combat forces are ready, and there is a significant risk in its ability to meet contingency requirements. General Spencer, when we met the other day you talked about the impact of sequestration in 2013 as being an 18 percent reduction in sorties, that's really jaw-dropping.

By the end of October, a majority of the Navy's nondeployed ships and aviation squadrons, nearly two-thirds of the fleet, will be less than fully mission-capable and not certified for major combat operations.

These are alarming trends for our force readiness, given the threats we confront around the world and given the challenges that we have asked our men and women to do in conflicts we've been involved in, both in Iraq and Afghanistan and other conflicts we've supported around the world. They've done their very best. But, of course, that has taken a toll on our readiness, and we need to reset.

Yet, here we are, faced with sequestration, which is devastating cuts to—we just talked about flying hours, steaming days, and other core training requirements, as well as reduced maintenance for military systems and equipments that will result in declining readiness.

As the prepared statements of our witnesses today describe, the military is increasingly consuming readiness faster than it is being produced, resulting in a declining margin of safety for the American people and also, of course, our men and women in uniform. We are standing down flying units, canceling major unit rotations and carrier group deployments, deferring depot and shipyard work, curtailing facility repairs, and extracting limited savings from the paychecks of dedicated DOD civilians through furloughs. We all know that it's not just our men and women in uniform, but those who work in the civilian sector have a critical role in supporting our men and women in uniform.

We are creating a bow wave of reduced readiness and increased risk that will take years to recover. We cannot continue to accept this. The ultimate price for reduced readiness will be paid by the

men and women serving on the front lines for our country around the world.

I want to close by quoting General Dempsey from a hearing the full committee recently held in an attempt to shed light on the devastating impacts of sequestration to our national security and the real prospect of a hollow force. He said, "Sequestration will redefine our military security role in the world. It will reduce our influence and our ability to secure our national interests. The erosion in military capacity will be manifested in our ability to deter adversaries, assure allies and partners, sustain global presence, and surge for contingencies."

Madam Chairman, I share the concerns you have echoed about our military's readiness trends, particularly in light of sequestration. I look forward to our witnesses this afternoon providing a candid and specific assessment as to the damage to their Services' readiness being caused by budget uncertainty and sequestration. I hope this hearing will demonstrate to Congress and the American people the urgent need to craft a bipartisan compromise this year, to identify alternative spending reductions that will allow us to eliminate Defense sequestration, and provide our men and women in uniform the certainty and support that they deserve.

I thank you so much for holding this important hearing, Madam Chairman.

Senator SHAHEEN. Thank you very much, Senator Ayotte.

We're going to begin with you, General Campbell, and go to your left. I misspoke earlier when I said you had 7 minutes. I think you only have 6 minutes. The 7-minute round is for our questions. [Laughter.]

As it should be. So, thank you, General——

General CAMPBELL. I can beat that standard, ma'am.

STATEMENT OF GEN JOHN F. CAMPBELL, USA, VICE CHIEF OF STAFF, U.S. ARMY

General CAMPBELL. Madam Chairman Shaheen, Ranking Member Ayotte, distinguished members of the subcommittee, thank you very much for the opportunity to appear before you today to discuss the readiness of your U.S. Army.

On behalf of Army Secretary John McHugh and the Army Chief of Staff Ray Odierno, I would also like to take this opportunity to thank all of you for your support and your demonstrated commitment to our soldiers, our Army civilians, and our families.

I have submitted my written testimony for the record, and I will keep my opening remarks here very brief, and look forward to answering, candidly, the questions that you will ask us today on readiness.

We certainly do appreciate the continued support from Congress by the enactment, last month, of the fiscal year 2013 DOD appropriations bill. Although these measures provided DOD some transfer authority to mitigate the risk to readiness and alleviate nearly $6 billion of the Army's O&M account shortfall for fiscal year 2013, it doesn't resolve the remaining Overseas Contingency Operations (OCO) account shortfall that the Army has. That is very, very significant, and I can talk through that as we go through the questions.

With the events in the world today, with Korea, Syria, Iran, the continued fight in Afghanistan—ma'am, as you said, in Boston—a discussion on readiness could not come at a more critical time. I've only been the vice chief for a little over a month, but I was the Army's G–3, the operations officer, for 18 months prior to that, and I was a division commander in Afghanistan with the 101st for a year. So readiness is always on my mind.

For combat experience, the Army remains the world's best-trained and -equipped land force in the world. However, as you said, our Army is currently experiencing severe fiscal challenges that have serious implications for our ability to provide trained and ready forces for our combatant commanders and for our Nation.

The reality is that, if sequestration continues as it is and does not change between fiscal year 2014 through fiscal year 2021, the Army will simply not have the resources to support the current Defense Strategic Guidance, and we risk becoming a hollow force.

Maintaining a ready Army is not cheap, and we realize that, and we're not looking for more readiness than we need or that we can afford. But, we cannot afford, from a national security perspective, an Army that is unable to deploy, fight, and win our Nation's wars. Here are just a few examples of how sequestration is impacting your Army today:

The Army will reduce its force by 89,000 Active soldiers through fiscal year 2017. This is in accordance with the fiscal year 2011 BCA. Full sequestration will result in the significant loss of additional soldiers from the Active, the National Guard, and the Army Reserve.

[The information referred to follows:]

The Army will reduce its force by 80,000 Active soldiers through fiscal year 2017.

General CAMPBELL. To meet the sequester targets to protect warfighter funding in fiscal year 2013, we're currently curtailing training for 80 percent of our ground forces for the next fiscal year. We've canceled six combat maneuver training exercises at the National Training Center, in the Joint Readiness Training Center, and this impacts our readiness. We're focusing only on those that go to Afghanistan, those that follow them, the forces in Korea, and then homeland defense.

Sequestration will also result in delays to every 1 of our 10 major modernization programs, including Ground Combat Vehicle, the Network, and the Joint Light Tactical Vehicle. In most cases, this will increase their costs. It will create an inability to reset our equipment after 12 years of war. We've also canceled the majority of our third- and fourth-quarter depot maintenance. This will result in the termination of employees and a significant delay in equipment readiness for 6 of our 10 Active divisions.

Finally, while the Army will make every effort to protect critical Army family programs, they will be unavoidably affected by workforce reductions, cuts to base sustainment funding, the elimination of contracts, and the widespread use of soldiers in base support tasks. This will also detract from training from our wartime mission. This will further complicate our efforts for the requirement that the Army has to operate for long stretches underneath a Continuing Resolution (CR). To a limited extent, the impact of spend-

ing reductions can be mitigated a little if funding remains timely and predictable, enabling the Army to plan, resource, and manage programs that yield a ready force.

As always the Army will do our utmost to efficiently utilize the resources that Congress has appropriated for the remainder of fiscal year 2013.

If I sound concerned, it is because we live in a world where strategic uncertainty is increasing. Ma'am, you heard that today in the hearings. With that in mind, and knowing that the United States will have interests in a range of conflicts, I am certain that our soldiers will be called upon to deploy and fight in the future. The lessons of history on this point are very compelling.

While we recognize there will be tough choices and necessary sacrifices in the days ahead, we also recognize that we must act responsibly in order to ensure that what remains is a capable force successfully meeting our national security requirements. Whatever its size, our Army must remain highly trained, equipped, and ready.

Maintaining credibility based on capability, readiness, and modernization is essential to averting miscalculations by potential adversaries. Our Nation can accept nothing less.

Yesterday, General Dempsey stated, "There are plenty of constituents for infrastructure, compensation, and weapons, but not readiness." The members of this subcommittee, you really understand readiness, and we appreciate you taking the time to ensure that readiness remains a priority for our Nation.

Chairman, Senator Ayotte, and the members of the subcommittee, I thank you again for your steadfast support of your Army, of our outstanding men and women, Army civilians, and our families. I look forward to your questions.

Thank you.

[The prepared statement of General Campbell follows:]

PREPARED STATEMENT BY GEN JOHN F. CAMPBELL, USA

Chairman Shaheen, Ranking Member Ayotte, distinguished members of the subcommittee, thank you for the opportunity to appear before you today to discuss the readiness of your U.S. Army.

On behalf of our Secretary—the Honorable John McHugh and our Chief of Staff General Ray Odierno, I would also like to take this opportunity to thank you for your support and demonstrated commitment to our soldiers, Army civilians, and families.

This discussion of readiness could not come at a better time. Our battle-tested Army remains the world's best trained, led, and equipped land force in the world. However, the Army is currently experiencing severe fiscal challenges which have serious implications to our ability to provide trained and ready forces for the Nation. Here is the reality we face: If the reductions to discretionary caps as outlined in current law are implemented for fiscal year 2014 through fiscal year 2021, the Army may not be able to support the current Defense Strategic Guidance and we risk becoming a hollow force.

What do I mean by a hollow force? A hollow force occurs when the three critical areas of end strength, readiness, and modernization are out of balance. If we underresource any one area, the Army will not be ready when called upon. For example, a large Army that lacks training and modernized equipment is not an Army we would want to send into battle. It might look good on paper, but it would be hollow. Here are just a few examples of how sequestration is impacting the force:

Additional cuts to the Army's budget, of the magnitude associated with sequestration, may drive our Active component end strength down below 490,000. If the Army is forced to take additional cuts due to the reduction in the outyear discretionary

caps, we would need to reduce further the number of soldiers out of the Active component, National Guard, and U.S. Army Reserve.

To meet sequester targets and protect warfighter funding in fiscal year 2013, we curtailed collective training for 80 percent of our ground forces for the rest of the fiscal year. This will impact unit basic warfighting skills, induce shortfalls across critical specialties, including aviation, intelligence, engineering, and even our ability to recruit new soldiers into the Army. For example, we have canceled six Maneuver Combat Training Exercises at the National Training Center and the Joint Readiness Training Center combat training, which impacts the future readiness of our force.

Sequestration will result in impacts to every 1 of our 10 major modernization programs including the Ground Combat Vehicle, the Network, and the Joint Light Tactical Vehicle. Potential impacts include delays in fielding and increased unit costs. Given the timing of the fiscal year 2013 cuts, the uncertainty of how they will be applied in fiscal year 2014 and the 10 year span of reductions, we continue to assess the magnitude of the impacts to all of our programs. It will also create an inability to Reset our equipment employed during years of war. In the third and fourth quarters of fiscal year 2013, we have canceled the majority of depot maintenance, which will result in the termination of an estimated 5,000 employees, a significant delay in equipment readiness for 6 divisions and an estimated $3.36 billion impact to the surrounding communities.

Finally, while the Army will make every effort to protect critical Army family programs, they will be unavoidably affected by workforce reductions, cuts to base sustainment funding, the elimination of contracts and the widespread use of soldiers in base support tasks that detract from training for wartime missions. This could have a negative impact on recruiting and retention, which would degrade readiness. Similarly, our Department of the Army civilians face the prospect of furloughs which, once implemented, will certainly disrupt thousands of activities and have a negative impact on our missions and morale of the force around the world.

To a limited extent, the impact of spending reductions can be mitigated if funding remains timely and predictable, enabling the Army to plan, resource, and manage programs that yield a ready force. The Army will do our utmost to efficiently utilize the resources enacted in the fiscal year 2013 Consolidated Appropriations and Further Continuing Appropriations Act in the remaining time for this fiscal year.

In the future, the Nation will once again call upon the Army to deploy, fight, and win in support of vital national interests and the American people will expect the Army to be ready. We must avoid defense cuts that will ultimately have a long-term negative effect on readiness, increase the level of risk to our soldiers, and cause us to relook whether we can accomplish what is required under the national security strategy.

STRATEGIC CONTEXT AND THE DEMAND FOR U.S. LANDPOWER

In addition to the fiscal constraints, we must also account for a second, equally difficult challenge: strategic uncertainty. The United States will undoubtedly have interests in a range of conflicts in the years ahead to include deterrence, humanitarian crises, terrorism, regional crises, and other potential conflicts. The world we live in is increasingly dangerous and complex. Our charge then is to ensure we maintain a range of options, and that we remain prepared and ready to respond in support of Global Combatant Command requirements.

Maintaining a ready Army is not cheap—we realize that. However, the cost of a ready Army is miniscule in comparison to the cost in terms of national treasure and global prestige of committing an unready Army in the future. We are not looking for more readiness than we need or can afford—but we cannot afford, from a national security perspective, an Army that is unable to fight and win the Nation's wars.

Support to the Current Fight

The strategic transition in Afghanistan continues to prove challenging. Building the capacity and self-sufficiency of Afghan forces is critical to the transition. To meet combatant command requirements, the Army provides specifically-focused advisor training for deploying units to advise and assist the Afghan security forces. I am confident in the Army's role in support of equipment retrograde while concurrently conducting security force assistance and combat operations. Although the operational campaign plan drives the pace of retrograde operations, our goal remains to have all non-enduring equipment out of Afghanistan by the end of 2014.

Although we have the policies, authorities, and processes in place to support retrograde goals, appropriate funding levels are required to maintain operational flexibility during retrograde. The Army faces up to a $7.8 billion shortfall in emerging warfighter requirements in Operations and Maintenance, Army (OMA) funding

within our Overseas Contingency Operations (OCO) account for fiscal year 2013. 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 paid and will continue to pay operation and maintenance requirements out of base funding for next deployers when not covered by OCO funds. This erodes necessary funding from our base budget that guarantees our future readiness.

The recently enacted Consolidated and Further Continuing Appropriations Act of 2013 provides the Department of Defense some transfer authority to mitigate the risks to readiness; this action does not solve the entirety of the OCO shortfall.

Current Readiness

The Army's readiness continues to center on supporting soldiers committed to operations around the world. At no other time in history has our Nation committed soldiers to war for as long. Our battle-tested All-Volunteer Army remains the world's best-trained, led, and equipped land force in the world. However, sequestration in fiscal year 2013 has a cascading effect on the readiness of our next-to-deploy forces and the forces behind them in the queue for operational employment. If further reductions are implemented for fiscal year 2014 through fiscal year 2021, the Army may not have the resources to support the current Defense Strategic Guidance without assuming greater risk.

As I appear before you today, your Army is a ready and capable force. Our priority is to support the 60,000 soldiers in Afghanistan and those next to deploy. We will focus on ensuring that they are properly equipped, prepared, and ready for the missions they face. We will also continue to provide for high levels of readiness for our forces in Korea. The latest tensions reinforce the importance of maintaining a ready and vigilant deterrence. We will do our best to prioritize training and equipping for the Army's Global Response Force, which is the Nation's rapid response, forcible entry capability for unforeseen contingencies. Finally, the Army is prepared to defend the Homeland and routinely conducts critical Defense Support of Civil Authorities operations.

For the vast majority of the rest of the force—those not scheduled for an Afghanistan rotation, supporting Korea or part of the Global Response Force—we will simply have to curtail, delay, or cancel training. This will have a negative effect on both unit and basic warfighting skills and may result in 80 percent of Brigade Combat Teams (BCTs) funded only to train to squad level proficiency. This level of funding prevents collective training above squad level. Some specialty skills may be especially hard-hit due to the length of time required to recoup lost skills. This atrophy will begin as soon as the fourth quarter of fiscal year 2013 and, once underway, the Army will have to redouble its efforts in order to regain rapidly lost readiness.

Regionally Aligned Forces

In order to elevate the overall level of Army readiness, be more responsive to our geographic combatant commanders and better enable our joint, interagency, intergovernmental and multinational partners, the Army is regionally aligning its forces to provide tailored capabilities. Joint exercises and operations with partners and allies are paramount to Secretary McHugh and General Odierno's vision of the Army's role in protecting American interests at home and abroad. Soldiers who receive regionally-specific training and equipment and participate in regionally-focused missions will effectively contribute to the shaping of the security environments. Adequate resources are required to ensure that as missions evolve and new threats emerge, aligned forces are trained, ready, and tailored to support the required mission.

Future Force Generation

Army Force Generation (ARFORGEN) put the Army on a rotational readiness cycle, which enabled us to provide cohesive units to combatant commanders for the enduring missions in Iraq and Afghanistan. We adjusted the training, equipping, and manning of our units to suit the requirements of emerging missions. Over the past several years as we have transitioned from Iraq and prepare to do the same in Afghanistan, the Army is applying lessons learned to develop an ARFORGEN model that reflects the current defense strategy and future missions.

The Army is in the final stages of modifying its ARFORGEN model and realigning our institutional systems. The new model will prioritize training for the future complex environment with a focus on combined arms maneuver. Combined arms maneuver training is essential after a prolonged period of focus on counterinsurgency operations and remains key and essential to Army capability. The Future Force Generation model intends to apply scarce resources and project manpower at the correct time and place to minimize risk, ensure readiness, and specifically identify those ca-

pabilities critical to meeting strategic requirements. The Army can only focus resources on those units deployed, deploying, or with critical contingency response missions.

Total Army Force Policy

The Army is committed to both the Army Total Force Policy as approved by the Secretary of the Army and the Chief of Staff of the Army and to the proper force mix to support the National Security Strategy. Our Total Army Force derives from the integration of Active, Reserve, and National Guard capabilities. The past 12 years of war have resulted in many experienced Army National Guard and Army Reserve formations which proved effective in combat, especially in Combat Support and Combat Service Support roles.

Now, after 12 years of persistent conflict, the Army must tailor its Force Generation requirements and deployments to meet the new budget realities and ensure we provide the optimal force required by the combatant commanders in support of the National Defense Strategy. To shape the force requires extensive analysis consisting of cost modeling and war gaming informed by our combat experiences to match specific timelines and readiness-capability levels.

For war plans and other demands that need more immediate, responsive forces for complex, combined arms maneuver, we rely on Active component (AC) BCTs and a mix of AC and RC enablers. For requirements that do not have the same immediacy or high difficulty from a collective training level, we rely on the RC for much of that capability. The added time provides the opportunity to invest additional money and training time to increase a RC unit's capability prior to deployment. Therefore, most RC forces are not kept at the same level of capability because they are not needed as quickly; this optimizes cost for the Nation.

All three components have important and distinct functions and have to be manned, trained, and equipped appropriately to meet those demands.

ESSENTIAL INVESTMENTS: PEOPLE AND EQUIPMENT

The Army of 2013 is the most experienced force in a half century and is immeasurably stronger than the Army of 2001. Not since the 1950s has the Army had a cadre of noncommissioned officers (NCO) and officers with an equivalent depth of combat experience. However, our Nation has been at this crossroads before. In the late 1940s, the early 1970s and early 1990s, the decision to draw down the Army resulted in a hollow force. In the latter two cases, the hollowness wasn't exposed in a war—but cost the Nation billions of dollars to return the Army to a readiness posture necessary to meet the security strategy of the time. In the first case, the Korean War exposed an Army that was unready by any measurable standard. The result was the unnecessary loss of life—and the near loss of the war. As the Army draws down this time, it is imperative that we do so in a way that preserves human capital and modernization to acceptable standards.

Soldiers, Families, and Army Civilians

We are focused on the many challenges and opportunities resulting from combat deployments. These include preserving and sustaining the health of the force—addressing issues, to include behavioral health injuries, suicide, the disability evaluation system, and transition services. The reality is the demand on our people and equipment has been tremendous. We are taking the steps necessary to address the full range of health and discipline issues to include strengthening soldiers' resiliency and coping skills through our Ready and Resilient Campaign that guides the full range of our support efforts. This campaign will aim to change and modify Army culture over the long term and we remain committed to helping soldiers and families better deal with the stressors and challenges they face in the current operational environment. Soldiers and their families deserve a quality of life commensurate with their service.

Ultimately, our goal is to sustain the high quality of our All-Volunteer Force—Active, Guard, and Reserve—in order to defend the United States and its interests. This we will do while reshaping our Force to prepare for a wider range of contingencies in the complex and unpredictable environments we find ourselves in today and for the foreseeable future. We also recognize we must accomplish all of these various tasks with significantly fewer resources and less people.

Throughout the past 12 years, Army families and Department of the Army civilians have likewise served and sacrificed. I note with pride for the profession of arms that children of soldiers have grown up to serve in our ranks as well. In spite of the heavy demands placed on them, our Force is remarkably resilient. As a brigade commander, deputy commanding general, and division commander in combat, I can attest to the expertise and maturity of the soldiers, and junior and senior leaders

I've been honored to serve with, who routinely adapt to complete any mission given them. This resilience is evident in the current strength of the All-Volunteer Force with high re-enlistment rates and the quality of soldiers recruited. It is evident in the increasing numbers of soldiers that voice concerns over their behavioral health with confidence that their chain of command and our medical system will stand by them.

Equipment Reset

Equipment Reset is defined as actions taken to restore equipment to an acceptable level of readiness through a combination of repair, replacement, recapitalization, and transition. Reset is a vital means for maintaining Army equipment readiness in order to sustain a force that is ready for any contingency. In order to return the force to required readiness levels, funding must continue as long as we have forces deployed and for 3 years after the last piece of equipment returns from Afghanistan to ensure readiness for the future. The analysis of retrograde timelines, capacity at industrial facilities, carry-over work and Reset actions to date supports the need for Reset funds for 3 years after the last piece of equipment leaves theater.

A fully-funded Reset program ensures that equipment worn by prolonged use in harsh environments is returned to a fully ready state, mitigating the effects of delayed desert damage. In the forecast for fiscal year 2013, the Army expects to Reset (repair) approximately ~100,000 items at its industrial facilities, in addition to over ~600,000 pieces of equipment on site where units are stationed (including over 400 aircraft). However, fiscal year 2013 budget reductions have already forced the cancellation of significant amounts of depot maintenance which will delay repairs and upgrades. Due to sequestration, we have lowered our level of maintenance for ground equipment from 10/20 standards to fully mission capable maintenance standards and additional safety standards.

Modernization

A key part of the Army's current and future readiness is our equipment modernization strategy. The Secretary of the Army and Chief of Staff, Army recently published an updated modernization strategy that focuses our efforts on empowering our soldiers and small unit formations, while maintaining the capacity to deter and defeat potential adversaries by: (1) identifying achievable requirements; applying best practices in acquisition and sustainment; seeking incremental improvements; and harnessing network enabled capabilities to solve near-term capability gaps, while (2) investing in military-unique revolutionary and evolutionary technologies to solve future capability gaps.

The centerpiece of our equipment modernization program is the soldier and the squad. Our investment plan provides our small units with a range of equipment including individual and crew-served weapons, next generation optics and night vision devices, body armor and advanced individual protection equipment, providing lethality and force protection to the soldier on the ground. Tactical overmatch will be facilitated by a suite of small-unit systems including unmanned aircraft systems, ground-based robots, counter-IED devices, and the latest surveillance systems.

To deliver the Network capabilities to the soldier, we will continue to invest in Warfighter Information Network-Tactical; Distributed Common Ground System-Army; the Family of Networked Tactical Radios; Nett Warrior; and Joint Battle Command-Platform. Finally, we will provide increased lethality and mobility, while optimizing survivability through the use of incremental improvements and mature technologies in developing the Ground Combat Vehicle, the Joint Light Tactical Vehicle, Armored Multi-Purpose Vehicle and Paladin Integrated Management Artillery system and upgrading our aviation fleet.

Army Organic Industrial Base

During time of war, the Army requires the Organic Industrial Base to repair and manufacture equipment as quickly and efficiently as possible to ensure it is available to train and support next deployers as well as those deployed. The Army Organic Industrial Base (AOIB) Depots and Arsenals surged to double, and in some cases, triple our pre-war output. As the AOIB transitions from wartime production to peacetime requirements, we must ensure it remains effective, efficient, and capable of meeting future Army contingency requirements. Last year, the Army published an updated AOIB Strategic Plan to help us make informed decisions on these issues. This plan provides the strategy and management framework needed to ensure that the AOIB remains viable, effective, and efficient. The current fiscal uncertainty could drastically impact our strategy and threatens retaining an AOIB that is a modern, reliable, cost effective, and highly responsive enterprise which meets both wartime and peacetime requirements, while maintaining the ability to surge during contingency operations.

Canceled maintenance repairs will remain reversible; however, the work that is not accomplished before the end of the fiscal year will result in increased carryover. Deferring maintenance could also cause production gaps in the industrial base and supply chain requiring 2–3 years to recover. These gaps greatly impact equipment readiness, industrial partnerships, and sub-vendors supporting the supply chain.

Given our budget uncertainty, we must ensure that we are using appropriated resources legally, effectively, and efficiently. Our audit readiness efforts focus on our responsibility to be good stewards of the funds appropriated to us. We are making great progress in audit readiness, to include implementing auditable enterprise-wide resources planning systems. In addition to improving systems and controls, compliance is monitored via a Commander's Checklist. As our funding decreases, it is critical that we improve the effective and efficient use of funds, so that readiness is properly resourced.

WHERE WE NEED CONGRESS' HELP

Critical to our success will be Congress' continued support of operations ongoing in theater. As we learned in Iraq, the costs associated with transition and retrograde, to include closing bases and transferring equipment, are not directly proportional to unit redeployment. In many cases, as our forces leave, costs will increase. Our need to Reset does not end when troops leave the theater of operations. In fact, it will likely continue for 3 years after our troops return home to ensure equipment readiness is restored for future contingencies. Reset is an inherent cost of war.

The lack of predictability in recent budget cycles and continuing uncertainty about the outyear reductions associated with sequestration-related provisions adds significant stress on our ability to mitigate cuts. The Army will certainly do its part to mitigate the effects of the sequestration, but to be clear, we are now facing dramatic cuts to personnel, readiness, and its modernization processes and programs.

Our Chief of Staff General Odierno has said, "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 inconceivable to me that we will put this burden on the shoulders of those who have sacrificed so much during nearly 12 years at war."

CONCLUSION

With Congress' support, we have built a remarkable force that has performed magnificently under a sustained high operations tempo for the past 12 years of war. It is better trained and equipped and our young leaders are better prepared than at any other time in history. Your Army, together with our Joint partners, will continue to serve as a rampart against the compounding risks inherent in an uncertain and rapidly changing world. Leaders throughout our Army remain focused on effectively addressing current challenges, particularly with respect to fiscal demands and health of the Force, while also determining the needs of the Force for the future.

Until recent years, the Army's view of readiness has focused on the application of resources at the unit level to produce ready forces. The Army is expanding our view of Service Readiness beyond the traditional aggregation of tactical to include metrics and indicators that enable a strategic assessment of the total force and nominate a strategic action to mitigate future impacts. This process will allow us to see ourselves in a more holistic manner. Our strategic view will include past trends and current status, analyzed to project impacts of current resourcing decisions on our production of ready forces in future years.

The Army understands the fiscal landscape and is committed to doing its part to limit expenditures. While we recognize there will be tough choices and necessary sacrifices in the days ahead, we also recognize that we must do so responsibly in order to ensure that what remains is a force capable of successfully meeting our national security requirements. Whatever its size, our Army must remain highly-trained, equipped, and ready to meet the needs of the National Defense Strategy. Maintaining credibility based on capacity, readiness, and modernization is essential to averting miscalculations by potential adversaries. Our Nation can accept nothing less.

Madam Chairman Shaheen, Ranking Member Ayotte, and members of the subcommittee, I thank you again for your steadfast and generous support of the outstanding men and women of the U.S. Army, our Army civilians, and their families.

Senator SHAHEEN. Thank you very much, General Campbell.

Admiral Ferguson.

STATEMENT OF ADM MARK E. FERGUSON III, USN, VICE CHIEF OF NAVAL OPERATIONS, U.S. NAVY

Admiral FERGUSON. Madam Chairman, Senator Ayotte, and distinguished members of the subcommittee, I appreciate the opportunity to testify today on Navy readiness and our fiscal year 2014 budget request. It's my great honor to represent the men and women of the U.S. Navy.

With the high global demand for naval forces, we are appreciative of the support of Congress in passing a fiscal year 2013 appropriations bill. This legislation provided us the necessary authorities and reduced the shortfall in our readiness accounts from $8.6 billion to $4.1 billion for this fiscal year.

As we reconcile our spending plan for the remainder of this fiscal year, it is clear that sequestration has impacted our ability to train our people, maintain our existing force structure, and invest in future capability and capacity. By the end of this fiscal year, two-thirds of our nondeployed ships and aviation squadrons will be less than fully mission capable and not certified for major combat operations. Due to sequestration, we reduced funding in fiscal year 2013 for our investment accounts by $6.1 billion. This will mean reducing quantities of procurement, delaying the introduction of new systems into the fleet, and incurring increased costs to complete systems development.

At our shore bases, we have deferred about 16 percent of our planned facilities sustainment and upgrades, about $1 billion worth of base operating support and improvements. We continue to reduce expenditures in other areas, as well. In coordination with the combatant commanders, the Secretary of Defense has approved selected deployment delays and cancellations to conserve operating funds. Civic outreach efforts, such as the Blue Angels and U.S. port visits, have been canceled to preserve funds for our deployed and next-to-deploy units.

As we address the shortfalls in fiscal year 2013, we intend to address them with the following priorities. We have to fund our must-pay bills, such as utilities and leases; fund fleet operations to meet the adjudicated combatant command requirements; provide fleet training, maintenance, and certification for next-to-deploy forces; and fund necessary base operations and renovation projects to support training, operations, and our sailors and their families.

Our fiscal year 2014 request continues the Chief of Naval Operations' readiness priorities of warfighting first, operating forward, and being ready, and is especially focused on supporting our shift to the Pacific and supplying ready forces for the combatant commanders. To meet our full readiness requirements, we are dependent upon the baseline budget, as well as supplemental funding. With fiscal year 2014 OCO funding, we anticipate meeting our projected operational requirements, and we will make every effort to recover the deferred maintenance on our ships and aircraft. Our budget request, with OCO, will allow the Navy to retain the ability to train, certify, and deploy two carrier strike groups and two amphibious ready groups, fully mission capable and certified for major combat operations. We will also retain an additional carrier strike group and amphibious ready group, fully mission capable and available for surge response.

If agreement is not reached to avoid the BCA reductions, our fiscal year 2014 obligation authority could be reduced by $10 to $14 billion, with approximately $5 to $6 billion coming from our readiness accounts. This would compel the Navy to again dramatically reduce operations, maintenance, and procurement, preventing us from meeting combatant command requirements, and negatively impacting our industrial base.

As exemplified by recent events in the Middle East and Western Pacific, our Navy must continue to operate where it matters, when it matters, to conduct the missions our Nation expects of us. We see no lessening of combatant commander requirements in the future.

We look forward, Madam Chairman and Senator Ayotte, to working with the committee as we advance through the budget process to ensure our Navy stands ready to protect and defend America's interests at sea. On behalf of all our men and women—Active, Reserve, and civilian—I thank you for your support, and I look forward to your questions.

Thank you.

[The prepared statement of Admiral Ferguson follows:]

PREPARED STATEMENT BY ADM MARK E. FERGUSON III, USN

Madam Chairman Shaheen, Senator Ayotte, and distinguished members of the Senate Armed Services Subcommittee on Readiness and Management Support, I appreciate the opportunity to testify on the current state of Navy readiness and our fiscal year 2014 budget request for Operations and Maintenance (Navy) (O&M(N)).

My testimony before the Senate Armed Services Committee on February 12th addressed the potential readiness impacts due to the combined effects of emergent requirements and fuel price increases, a year-long Continuing Resolution, and sequestration. With the passage of Consolidated and Further Continuing Appropriations Act of 2013 (Public Law 113–6), Congress restored $4.5 billion of the projected $8.6 billion shortfall to our O&M(N) account and enacted authorities necessary to execute our fiscal year 2013 appropriations. We appreciate congressional support for the readiness of our force.

My testimony today will focus on the current readiness of the force as we complete fiscal year 2013 and our readiness budget request for fiscal year 2014.

OUR NAVY TODAY

With the passage of Public Law 113–6, our Navy has sufficient funding to meet the requirements of the adjudicated fiscal year 2013 Global Force Management Allocation Plan (GFMAP). We will train those forces required for operational deployments in fiscal year 2014, while accepting some risk in nondeployed forces and infrastructure. When compared to the President's 2013 budget request, our appropriated funding represents a $4.1 billion reduction in our O&M(N) account. This reduction, when combined with emergent requirements and fuel price increases, necessitated we take a thoughtful and prudent approach to readiness accounts for the remainder of the fiscal year. We have therefore established the following priorities: retain adequate funding for mandatory reimbursable accounts; sustain the readiness of forces to meet the adjudicated fiscal year 2013 GFMAP; prepare forces to meet the projected fiscal year 2014 combatant commander requirements; sustain base infrastructure and operations that support deployed forces and those preparing to deploy; and maintain an appropriate level of funding for critical sailor and family support programs.

Sequestration will result in lower readiness levels in the fleet and ashore. We have reduced training and steaming days for nondeployed surface ships and flying hours for nondeployed aviation squadrons. In fiscal year 2013, we will reduce intermediate-level ship maintenance, defer an additional 84 aircraft and 184 engines for depot maintenance, and defer 8 of 33 planned depot-level surface ship maintenance availabilities. At our shore bases, we have deferred about 16 percent of our planned fiscal year 2013 shore facility sustainment and upgrades, about $1 billion worth of work.

We continue to reduce O&M(N) expenditures in other areas. We have reduced our civic outreach efforts, such as the Blue Angels and U.S. port visits. In coordination with the combatant commanders, the Secretary of Defense has approved selected deployment delays and cancellations to conserve operating funds.

By the end of fiscal year 2013, a majority of our nondeployed ships and aviation squadrons—nearly two thirds of the fleet—will be less than fully mission capable and not certified for Major Combat Operations. Until we restore the readiness of forces impacted in this fiscal year, we will see reduced availability of forces for full spectrum operations in fiscal year 2014 and beyond.

Furloughs of our civilian workforce will impact our ability to generate ready aircraft carriers (CVNs), ballistic missile submarines (SSBNs), guided-missile submarines (SSGNs), and attack submarines (SSNs) through fiscal year 2014 by slowing completion of maintenance in public shipyards. The lost work due to furloughs would also create a "domino" effect to maintenance schedules for the next several years that could impact ship and aircraft availability. The Department of the Navy is exploring options to minimize these impacts.

We have focused our base operating funds on delivering required services for Fleet port and air operations with restricted operating hours. In the event of a furlough, we will have no choice but to make additional restrictions in the support of Fleet operations.

OUR NAVY TOMORROW

Our fiscal year 2014 budget request continues the CNO's readiness priorities of Warfighting First, Operate Forward, and Be Ready, which are specifically focused on ensuring the readiness of the Navy. Our budget, with continued OCO funding, meets projected operational requirements and builds future capabilities, while sustaining the readiness of our ships and aircraft over the course of their expected service lives. It continues to support the Defense Strategic Guidance, expands forward presence through both traditional and innovative approaches, and ensures the Fleet is where it matters, when it matters, to achieve the security interests of the Nation.

The Navy will retain the ability to support the fiscal year 2014 GFMAP with two carrier strike groups (CSG) and two amphibious ready groups (ARG) fully mission-capable and certified for Major Combat Operations. We will also retain one additional CSG and ARG in the United States that are fully mission capable, certified for Major Combat Operations and available for surge within 1 to 2 weeks. We anticipate sustaining a 1.0 carrier presence in the U.S. Central Command (CENTCOM) Area of Responsibility (AOR) and slightly less in U.S. Pacific Command. Our submarine force will continue to meet adjudicated combatant commander requirements. Until we restore the readiness of those nondeployed forces impacted by fiscal year 2013 reductions, we will be limited in our ability to respond for full spectrum operations.

Generating the Force

Navy manages force generation using the Fleet Response Plan (FRP). This plan establishes a sustainable cycle of maintenance, training, and operations for both individual units and task groups. With this process, Navy generates the ready forces required to meet global presence requirements and also develops the capacity for surge response for contingencies and homeland defense. The plan operates as a cycle, so that forces undergo maintenance, training, and then deployment/sustained surge readiness in defined periods. The flexibility of this approach enables Navy to develop greater surge capacity in response to contingencies than did earlier approaches to force generation.

For over 10 years, Navy forces have been operating at a war-time pace, essentially expending our surge capacity. We are evaluating enhancements to the FRP to meet higher levels of operational availability within the operating cycle. We are mindful that operating the fleet at a sustained high tempo could reduce the service life of our platforms and place a high level of stress on our sailors and their families.

Ship Operations

The baseline Ship Operations request for fiscal year 2014 supports the highest priority presence requirements of the combatant commanders. Our budget request supports generating 2.0 global presence for carrier strike groups, 2.4 amphibious ready groups and an acceptable number of deployed submarines. The baseline request provides for 45 days of deployed operations per quarter and 20 days of nondeployed operations per quarter.

It will be necessary to direct funding to recover the readiness of nondeployed forces impacted by funding reductions in fiscal year 2013 to meet surge requirements in fiscal year 2014.

Air Operations (Flying Hour Program)

The Flying Hour Program (FHP) funds operations, maintenance, and training for 10 Navy carrier air wings, 3 Marine Corps air wings, Fleet Air Support aircraft, training squadrons, Reserve Forces and various enabling activities. The fiscal year 2014 baseline FHP meets funding to maintain required levels of readiness for deployment or surge operations, enabling the Navy and Marine Corps aviation forces to perform their primary missions as well as funding the enduring T2.5/T2.0 USN/USMC readiness requirement in the base budget.

Fleet Training, Training Ranges and Targets

We are sustaining investments in key training capabilities, including Fleet Synthetic Training, Threat Simulation Systems, and the Tactical Combat Training System. Our request continues procurement of high speed, maneuverable surface targets to provide live fire training for operator proficiency.

Readiness Investments Required to Sustain the Force—Ship and Aircraft Maintenance

Our fiscal year 2014 budget request seeks a balance between maintenance requirements and our investment accounts. The request is built upon our proven sustainment models for nuclear aircraft carriers and submarines, our ongoing investment in the readiness of our surface combatants, and plans for the integration of new capabilities into naval aviation.

Surface ship maintenance is executed in both public and private sector shipyards. We have instituted the same processes used for many years for aircraft carriers and submarines into our surface ship depot availabilities in fiscal year 2014. In this updated process, availability planning, execution, and certification are codified; all required maintenance actions are tracked to completion; and all proposed maintenance deferrals are formally reviewed. This comprehensive process ensures adjudication by the appropriate technical authority and rescheduling in a follow-on availability or other appropriate maintenance opportunity.

In fiscal year 2014, the budget request, with anticipated supplemental funding, will meet Navy readiness requirements for aircraft carrier, ship, submarine, and aircraft maintenance. Additionally, our revised surface force maintenance process has identified the backlog of maintenance in these ships resulting from the recent years of high operational tempo and deferred maintenance. These requirements are now incorporated into our maintenance plans.

Supporting Reset of the Joint Force

Navy expeditionary forces support enduring global missions by deploying security, construction, explosive ordnance disposal, logistics and training units operating with ground combat units of the other Services. Our baseline funding request in fiscal year 2014 represents 43 percent of the enduring requirement, while supplemental funding must be applied to meet the full requirement. As U.S. Force Management Levels (FML) in Afghanistan reduce and infantry units return home, Navy Seabees and EOD operators will be instrumental in the retrograde and reset of equipment and personnel, providing engineering and maneuver support to the joint ground combat elements.

Readiness Investments Required to Sustain the Force—Shore Infrastructure

The Navy's shore infrastructure—both in the United States and overseas—provides essential support to our Fleet. In addition to supporting operational and combat readiness, it is also a critical element in the quality of life and quality of work for our sailors, Navy civilians, and their families.

Our planned fiscal year 2014 investment of $425 million in our naval shipyards, Fleet Readiness Centers, and Marine Corps depots complies with the 2012 National Defense Authorization Act requirement for 6 percent investment infrastructure. We continue to sustain and recapitalize our shipyards within today's fiscally constrained environment, focusing on mission-critical facilities such as production shops, piers, wharves, and dry docks. We mitigate the level of deliberate risk we take in the sustainment of our infrastructure by prioritizing projects for repair.

OUR NAVY INTO THE FUTURE

As we look to the future, we see theaters of operation around the world increasingly assume a maritime focus. Our naval presence is important to regional stability in the deterrence of aggression and the assurance of our allies. Over the last year, we have responded to demand for naval forces in both the Middle East and in the Pacific. Our Navy is operating where it matters, when it matters—and we see no

lessening of requirements to do so in the future. As a result, the demand for ready forces will not abate in the near future.

Our sailors are the highest quality, most diverse force in our history and continue to make us the finest Navy in the world. On behalf of all these men and women of the U.S. Navy—Active, Reserve, and civilian—thank you for your continued support.

Senator SHAHEEN. Thank you very much.

General Paxton.

STATEMENT OF GEN. JOHN M. PAXTON, JR., USMC, ASSISTANT COMMANDANT, U.S. MARINE CORPS

General PAXTON. Good afternoon, Madam Chairman Shaheen, Ranking Member Ayotte, and the members of the subcommittee. Thank you for the opportunity to report on the readiness of your U.S. Marine Corps.

Right now, more than 23,000 marines are forward deployed and forward engaged. More than 9,000 are in Afghanistan, while others, partnered with our closest joint partner, the U.S. Navy, are globally deployed, protecting influence, deterring aggression, building partner capacity, and poised for crisis response.

With the submission of the President's budget, your Corps' next deployers—those who are due to leave between June and October to Operation Enduring Freedom, on our Marine Expeditionary Units (MEU), on our Unit Deployment Program, and for tactical aviation integration—those next deployers will remain fully trained, equipped, and ready. We anticipate the same for the deployers due to leave after that, between November and February. However, after that point, we are less confident about our sustained readiness.

With the onset of sequestration in March, we commenced a deliberate, yet unfortunately unplanned and uncoordinated series of cuts to Defense programs and capabilities. The Secretary of Defense, both the current and the former, and the Chairman of the Joint Chiefs of Staff, our Commandant, and my own predecessor, have repeatedly counseled that sequestration effects will be quick, stark, often unanticipated, and potentially devastating in the long term. As we have scrubbed our operations, sustainment, and modernization plans over the past 3 to 4 months, I can assure you that the effects of sequester will be serious, prolonged, and difficult to quickly reverse or repair.

Some of these sequestration impacts are in areas neither Congress nor DOD would have liked to have had adversely impacted—most notably, on the forward deployment of individuals and units ready for combat. I look forward to explaining examples of anticipated adverse impacts on our training proficiency, on equipment maintenance, and on unit readiness. In all of these areas, the impacts will be slow to predict, difficult to localize, and challenging to reverse.

As we navigate the current fiscal environment, we will strive to maintain balance across the five pillars of readiness for your U.S. Marine Corps:

Pillar number one is to recruit and retain the highest quality people. Pillar two is to maintain a high state of unit readiness. Pillar three is the ability to meet combatant commanders' requirements with marines. Pillar four is to ensure that we maintain ap-

propriate infrastructure investment. Pillar five is to keep an eye towards the future by investing in the capabilities we'll need for tomorrow's challenges—modernization.

As we begin this hearing, I would like to highlight a few points from my written statement.

With regard to high-quality people, your U.S. Marine Corps continues to achieve 100 percent of its officer and enlisted recruiting goals for both the Active and the Reserve components, while exceeding DOD quality standards for high school graduates and mental categories.

Within the ranks of our civilian marines, an integral part of our force, they face potential readiness and human impacts associated with potential furloughs.

With regard to the second pillar, unit readiness, the Marine Corps has, and always will, sourced the best-trained, most ready forces to meet combatant commander requirements. Equipment readiness of our nondeployed units is of great concern to us. We have taxed our home station units as the billpayer to ensure that marines in Afghanistan and in our MEUs have everything that they need. As a result, the majority of our nondeployed forces are reporting degraded material readiness levels.

Additionally, the tempo of operations and the harsh environments in which we have been operating over the past decade has accelerated the wear and tear on our equipment. Money to reset and rebuild the Marine Corps will be required for several additional years after the end of the war. This will have the added impact of delaying our rebalance to the Pacific until well after the 2017 projections.

Finally, we continue to proudly support the DOD colleagues at 152 embassies and consulates around the world. Our fiscal year 2014 budget request funds 1,635 marines for this program. In the aftermath of events at some of our diplomatic missions, and as requested by Congress, we are working with the Department of State, DOD, and the Joint Staff, and we seek your continued support as we determine the need for additional manning of approximately 1,000 marines, and the associated funding to support them. We will report back to you and the committee by October 1 on this initiative.

I thank each of you for your faithfulness and your bipartisan support to our Nation's military. I request that my written testimony be accepted for the record.

Your Corps remains committed to providing a Nation—the Nation a ready force capable of handling today's crisis today.

I look forward to your questions. Thank you very much.

[The prepared statement of General Paxton follows:]

PREPARED STATEMENT BY GEN. JOHN M. PAXTON, JR., USMC

Today's marines are thoroughly trained, combat proven and are meeting all Operation Enduring Freedom (OEF) and combatant commander requirements. The approximately 7,400 marines deployed in Helmand Province under Regional Command South-West remain our top priority. Rotation after rotation, their professionalism, training, and morale remain high. In the last several years they have successfully created the conditions for the Afghan National Security Forces to grow and mature, and they have given the Afghan people an opportunity for a better future.

Outside of Afghanistan, marines have participated in more than 120 security cooperation engagements (in 2012), developing partner nation capabilities and build-

ing up stores of goodwill among our global neighbors. Additionally, our forces at home and abroad have been ready and able to respond to a range of incidents from natural disasters to civil uprisings. Marines were sent to Libya in the wake of the assassination of our Ambassador and other U.S. personnel. Marines deployed to reinforce the security of our embassies in Egypt and Yemen following the attempted breach of the embassy walls by protestors. Marines supported Hurricane Sandy relief efforts here in our Northeast and super typhoon Pablo relief efforts in the Philippines. In short, marines stand ready and able to respond to future incidents that threaten our Nation's interests regardless of the location or the nature of the occurrence.

CURRENT READINESS

The readiness of our force is integral to our ethos; it's a state of conditioning that marines work hard to maintain. Our crisis response mission is incompatible with tiered readiness. Marines don't get ready when a crisis occurs, we must be forward deployed and ready to respond immediately; that's the most important aspect of who we are and what we do.

Readiness comes at a cost and the high readiness of the deployed forces comes at the expense of our nondeployed units' readiness. The Marine Corps can sustain its current operational requirements on an enduring basis; however, to maintain the high readiness of our forward deployed units, we have globally sourced equipment and personnel for Afghanistan and other emerging threats from our nondeployed units. The nondeployed forces' principal readiness detractor is the reduced availability of equipment at home stations with which to outfit and train units. Currently, slightly more than half of nondeployed units are experiencing degraded readiness due to portions of their equipment being redistributed to support units deployed forward. The manning of our home station units also suffers due to the need to meet the personnel requirements for deploying units, Individual Augments and Security Force Assistance Teams. The primary concern with the out-of-balance readiness of our operating forces is the increased risk in the timely response to unexpected crises or large-scale contingencies, since the nondeployed forces likely would be the responders. Efforts to maintain the readiness of the deployed force and correct the readiness imbalance of the nondeployed forces could be further exacerbated by sequestration if our Operations and Maintenance (O&M) account is diminished.

In addition to ensuring units are properly manned and marines are properly equipped, training of marines is an equally important component of readiness. As part of ensuring marines are appropriately trained and are able to maintain currency in their required skills, we must ensure training ranges are available and suitable to meet those needs. In the near term, that means ensuring the plans to expand our Marine Corps Air Ground Combat Center under the Twentynine Palms Land Expansion initiative are executed.

RESETTING THE FORCE

Reset is a subset of reconstitution and comprises the actions taken to restore units to a desired level of combat capability commensurate with the units' future missions. After more than a decade of combat, this will require an unprecedented level of effort. The Marine Corps is resetting its forces "in stride" while fighting the war in Afghanistan and transitioning to the new Defense Strategic Guidance. Unlike previous post-conflict periods, such as after Operation Desert Storm, we do not anticipate taking an "operational pause" to reset as we transition from OEF.

The Marine Corps' Operation Enduring Freedom Ground Equipment Reset Strategy, released in January 2012, serves to identify the equipment we will reset or divest. The reset strategy prioritizes investment and modernization decisions to develop our middleweight force. Last year our reset liability was approximately $3.2 billion. We estimate it will be something less, however; we are unsure exactly what that number is until we can get a better picture on both the totality of the costs associated with returning our equipment from Afghanistan and the detailed costs associated with resetting our gear after 10 years of combat.[1] This revised forecast is primarily based on the replacement of combat losses, the restoration of items to serviceable condition, and the extension in service life of selected items. The liability

[1] This reset liability is our "strategic" reset liability; or simply, the cost to reset our Afghanistan equipment set to a like new condition. In addition to strategic reset, we have requested $1.3 billion in OCO in fiscal year 2013, primarily to cover cost of war issues, but some of which is slated for strategic maintenance for reset. How much of the $1.3 billion will be used for reset is dependent on both the quantity of equipment that flows out of Afghanistan and our depot capacity.

accounts for execution of reset dollars provided in fiscal year 2012 and the first quarter of fiscal year 2013 and the establishment of the Marine Corps' enduring Mine Resistant Armored Protected (MRAP) vehicle requirement of 1,231.

The Marine Corps 1,231 enduring MRAP requirement strikes the right balance between capabilities immediately available to the operating forces, those geographically positioned for crisis response and MRAPs placed in a cost-effective long-term storage capacity for enduring conflict. The 609 MRAPs in short-term storage within our strategic prepositioning stocks afloat, in Norway and Kuwait will be maintained at a heightened state of readiness; available for crisis response with little notice. Four hundred and sixty-three MRAPs will move into long-term storage at our organic depot facility in Barstow, CA. The remaining 159 MRAPs will reside within our operating forces and supporting establishment; available for training and immediate response.

The Retrograde and Redeployment in support of Reset and Reconstitution Operational Group (R4OG) is a vital element to the Marine Corps' responsible drawdown from Afghanistan and the successful execution of the Ground Equipment Reset Strategy. The R4OG which began in May 2012 is the Marine Corps' component to the U.S. Central Command Materiel Recovery Element and is tasked with preserving the operational capacity of combat units shouldering the load of clearing the battle space of equipment, supplies, and sustainment stocks. The R4OG is focused on accountability and efficiency within the redeployment and retrograde process. This process includes retrograding more than $324 million of equipment, repairing more than 1,200 shipping containers, and processing more than 230,000 pounds (net explosive weight) of ammunition, and has overseen the retrograde of more than 4.5 million square feet of aviation AM2 matting and more than 5,700 equipment items. The Marine Corps has retrograded 60 percent of its equipment items; 70 percent of the supplies, repair parts, and ammunition; and 85 percent of its AM2 matting in Afghanistan. Additionally, the R4OG brings discipline to the retrograde process ensuring Marine Corps combat units can dutifully withdraw from Afghanistan concurrent with the directed redeployment of Marine Corps forces.

DEPOT CAPACITY

The bulk of reset execution occurs in our depots. The continued availability of our ground equipment depot capacity at both Barstow, CA and Albany, GA is essential for reset for our ability to both self-generate readiness and surge in response to demand. As the Marine Corps shifts from OEF sustainment to execution of our reset strategy, more equipment is returning to the depot in battle worn condition and requiring of extensive and overdue depot maintenance repairs. Based on the current funding levels provided by Congress in H.R. 933 we will be able to remain on schedule with our reset plan in fiscal year 2013, however; the long-term impacts of reductions on reset may result in cuts to depot maintenance and procurement accounts, which may hinder the Marine Corps' ability to reconstitute in stride by fiscal year 2017.

If planned funding is reduced, a "Depot Lag" or a backlog of equipment requiring depot maintenance is expected to occur. Due to the reset workload, depot maintenance requirements—both sustainment and reset requirements—are at peak levels for fiscal year 2014 and fiscal year 2015. In these times, we require maximum throughput of our organic depot capability and also rely on other sources of repair to include other service depots and commercial options. Reduced funding defers the maintenance requirements to out-years, thus increasing the backlog of equipment requiring service. Sustained funding reductions cause a ripple effect eventually leading to a backlog that will adversely affect near- and long-term readiness. Compounding this problem, depot capability could be impacted by permanent workforce furloughs.

The long-term impact of sequestration is deferred maintenance. We will have to closely scrutinize and determine equipment maintenance priorities, assume risk in mission-essential weapon system readiness, delay normal depot sustainment, and, as stated, delay reset operations. For example, the Marine Corps will have 44 scheduled aircraft depot inductions across all type/model/series that will not occur as a result of sequestration reduction to the fiscal year 2013 budget. Of the 44 aircraft, 23 are F/A–18A–D aircraft. This will result in less aircraft available for assignment to Marine F/A–18 squadrons and reduce the assets available for training and operational support. Each operational F/A–18 squadron should be equipped with 12 aircraft. Of the 12 USMC F/A–18 squadrons, 5 are deployed—4 Unit Deployment Program/Request for Forces (UDP/RFF) and 1 carrier air wing (CVW). The 4 UDP/RFF squadrons have 12 aircraft and the 1 CVW squadron has 10 aircraft. The reductions to depot throughput will cause the 7 nondeployed squadrons to each have ~6 aircraft

available. The long-term effect on nondeployed F/A–18 squadrons is the inability of the unit to achieve and maintain minimum combat readiness required for follow-on deployments. The training squadron will be maintained constant at ~33 aircraft to meet training requirements for Navy and Marine Corps F/A–18 A, C, and D pilots and Weapons System Operators.

RECONSTITUTION

The Marine Corps has a strategic trajectory to reconstitute to a ready force by fiscal year 2017. Our reconstitution efforts will restore and upgrade our combat capability and will ensure our units are ready for operations across the range of military operations. Additionally, reconstitution will rebalance and sustain home station readiness so that our units are ready to deploy on short notice. To ensure we are organizing for the emerging security environment and its inherent and implied challenges, the Commandant directed a Total Force Structure Review in 2010. This review aligned our force to meet the needs of the Nation and took into consideration the realities of constrained spending levels; the Defense Strategic Guidance; and the lessons learned from 10 years of war, particularly the requirements to conduct distributed operations. Then in 2012, the Commandant directed another internal-look, a Force Optimization Review, to prioritize potential future cuts.

To meet the Defense Strategic Guidance within the fiscal realities, we are decreasing our active duty end strength. From a wartime-high force level of 202,100 we are conducting a drawdown to 182,100 by the end of fiscal year 2016. We are currently at approximately 194,280 marines. We will retain our Reserve component at 39,600 marines. The active duty end strength reductions will occur at the rate of no more than 5,000 per year. We have no plan to conduct a reduction-in-force. These end strengths will retain our capacity and capability to support steady state and crisis response operations; while the pace of the reductions will account for the completion of our mission in Afghanistan, provide the resiliency that comes with sufficient dwell times, and keep faith with our marines. Reshaping the Active Duty component to 182,100 marines will entail some risk relative to present and future capacity requirements; but it's manageable, particularly as we maintain the Reserve component's operational capability. Further force level reductions would cause us to reevaluate the Marine Corps' role in the National Defense Strategy.

FIVE READINESS PILLARS

To achieve institutional readiness, sustain operational requirements, and be prepared for crisis and contingency response, we must restore and maintain a balance for our Marine Corps across five pillars:

- High quality people
- Unit readiness
- Capacity to meet combatant commander requirements
- Infrastructure sustainment
- Equipment modernization

HIGH QUALITY PEOPLE

The recruiting and retention of high quality people remain essential to attain a highly ready and professional force. We need the right quantities and occupational specialties to fulfill our role as an expeditionary force in readiness. In fiscal year 2012, the Corps achieved 100 percent of its officer and recruiting goals for the Active and Reserve components, while exceeding DOD quality standards for Tier 1 High School Graduates and Mental Categories I–IIIa. We expect to achieve the same in fiscal year 2013. The Marine Corps also achieved its retention mission in fiscal year 2012 and anticipates doing so again in fiscal year 2013. A critical enabler of recruiting and retaining a high quality force is appropriate compensation and benefits; we thank Congress for its focus on this issue through the decade of war. We rely on Congress' continued support of pay and benefits, incentive pays, and selective reenlistment bonuses to meet future recruiting challenges, position the force for the impending drawdown, and shape the All-Volunteer Force to meet the new defense strategy.

Civilian marines are an integral part of our Total Force, supporting the Corps' mission and daily functions. Marine civilians are a "best value" for the defense dollar, are shaped to support the Corps into the future, and are the leanest appropriated funded civilian workforce within DOD, with only 1 civilian for every 10 marines. Fewer than 5 percent work in the Pentagon. The vast majority of our civilian marines, more than 95 percent, work at our installations and depots. Sixty-eight percent are veterans who have chosen to continue their service to our Nation. If fur-

loughed, our civilian marines could lose a substantial amount of pay during the last quarter of fiscal year 2013. The potential readiness and human impacts associated with furloughing our civilian marines are significant. While we would like to believe that a discontinuous furlough will reduce the impact on our employees, most will not be able to easily absorb the loss of income, even over a 14-week period should it come to that.

The Marine Corps' Wounded Warrior Regiment (WWR) is a fundamental component of the Marine Corps' pledge to "keep faith" with those who have served. The WWR supports marines wounded in combat, those who fall severely ill, and those injured in the line of duty. The regiment administers the Marine Corps' Recovery Coordination Program that ensures medical and nonmedical needs fully integrate with programs such as the Warrior Athlete Reconditioning Program. Facilities such as our new Warrior Hope and Care Centers provide necessary specialized facilities allowing us to support our wounded warriors and their families.

Key to this care is ensuring marines execute recovery plans that enable their successful return to duty or reintegration to their civilian communities. Around the country we have established District Injured Support Coordinators whose duty is to assist marines transitioning from active duty to veteran status. Our WWR Medical Staff provides medical subject matter expertise, advocacy, and liaison to the medical community. The Sergeant Merlin German Wounded Warrior Call Center conducts an average of 7,000 outreach calls per month and receives calls for assistance 24 hours a day from both active-duty and veteran marines. Our contact centers also conduct outreach to marines who remain with their parent command to ensure their needs are met. Depending upon the individual marine's requirements, these programs and services are coordinated for optimal care delivery, proving that Wounded Warrior care is not a process, but a persistent relationship between the Marine Corps and our marines.

The Marine Corps is greatly concerned about the long-term care and support for our wounded veterans. Many of our young men and women have sustained injuries that will require support for the remainder of their lives. Given the youthfulness of this wounded population, this represents a debt to our Nation's warriors that will have to be paid for several decades. Our wounded warrior capabilities are an enduring measure of our commitment to keep faith with our young men and women, and we expect this capability will continue well beyond our return from Afghanistan.

UNIT READINESS

This pillar upholds maintaining and shaping the readiness of the operating forces, to include the necessary O&M funding to train to core missions and maintain equipment. The Marine Corps has, and always will, source our best trained, most ready forces to meet combatant commander requirements. The challenge is to maintain the readiness of the nondeployed forces so they can respond to crises and contingencies with the proper balance of equipping, manning, and training.

As our forces return from Afghanistan, our focus will be on training to our core expeditionary and amphibious mission capabilities. We anticipate incremental increases in the core training readiness of units as marines and equipment flow back from Afghanistan over the next 12–24 months.

After the drawdown from Afghanistan, we expect to be increasingly engaged around the world—training, engaging, deterring, and responding to all manner of crises and contingencies. O&M funding is essential for our readiness to conduct steady state operations, including amphibious and Maritime Prepositioning Ships Squadron (MPSRON) operations, provide support to the combatant commanders, and provide for our supporting establishment's sustainment for the operating forces. The battlefields of today and tomorrow necessitate more distributed operations and decentralized command—both of which will drive training costs higher. We know that these future requirements to maintain readiness will increase demand on O&M funding.

Also, sufficient O&M funding is essential in the Pacific to support our unit deployment program in Japan; provide rotational forces in Australia and Guam; and engage throughout the region. It is also needed to cover the transportation costs for bringing together the widely dispersed Marine Expeditionary Brigade and Marine Expeditionary Force elements for training and exercises.

CAPACITY TO MEET COMBATANT COMMANDER REQUIREMENTS

Force-sizing to meet geographic combatant commander (GCC) requirements, with the right mix of capacity and capability, is the essence of our third readiness pillar. The GCCs continue to register an increased demand for crisis response and amphibious forces in order to meet requirements across the range of military operations

(ROMO). Decisions made in our Force Structure Review and Force Optimization Review will provide a better breadth and depth of Marine forces capable of executing a regional major contingency operation and optimized for current operations and crisis/contingency response. The capacities of our organic intelligence, surveillance, and reconnaissance; command and control; and unmanned aircraft systems will be increased.

Our critical capacity versus requirement concerns include: shifting forces to III Marine Expeditionary Force in the Pacific, ensuring we retain a global crisis response capability, and ensuring the availability and readiness of amphibious shipping and maritime prepositioned assets to meet increased training and contingency requirements. The primary challenge of the Marine Corps from a logistics standpoint is the "tyranny of distance" inherent in the laydown of forces across the Pacific covering an area thousands of miles wide and linkable only by airlift and sealift. To sustain our forces in the Pacific and mitigate gaps, we will rely on our own organic capabilities and external support from other Services, the Defense Logistics Agency, and U.S. Transportation Command. This combination of support will provide flexibility, agility, and responsive support to the operating forces.

Marine Expeditionary Units (MEUs), coupled with their Amphibious Ready Group (ARG) partners, continue to remain one of the key means by which the Marine Corps provides rapid response to emerging global crises. Their composition and capabilities see them frequently requested by combatant commanders to fulfill various theater engagements; most often they support Central Command and Pacific Command requirements. We have assumed some risk in the Mediterranean but do still maintain the capability to respond to crises in European Command and Africa Command (the Mediterranean). This response capability also includes our Fleet Anti-Terrorism Support Teams (FAST) from Marine Corps Security Forces Regiment deployed to Rota, Spain and Special Purpose Marine Air Ground Task Force-Africa stationed in Sigonella, Italy. In order to further mitigate the risk and in response to the "new normal" of an enhanced baseline of security at U.S. diplomatic facilities, we are looking to form a crisis response force whose primary duty will be to cover that region. This force will be specifically designed to provide embassy reinforcement and fixed site security in addition to other limited crisis response capabilities. As with all our MAGTFs it will be forward deployed; rotational; and be self-contained with inherent ground, aviation, logistics, and command and control capabilities. This capability does not replace a MEU but serves to provide presence where MEUs are not currently located.

INFRASTRUCTURE SUSTAINMENT

Infrastructure sustainment, our fourth readiness pillar, is the investment in real property, facilities maintenance, and base infrastructure to support the missions and readiness of our operating forces and other tenant commands. The quality of life for our marines, sailors, and families is measurably impacted by the condition of our facilities. As such, the Marine Corps is committed to the proper stewardship of our bases and stations to include the natural resources they encompass. We must adequately resource their sustainment to maintain our physical infrastructure and the complimentary ability to train and deploy highly ready forces. Additionally, as we rebalance toward the Pacific, we will strive to make the proper investments in ranges and facilities to maintain the training readiness of deployed forces to and within that area of operations.

Funding for our facilities sustainment, recapitalization, and modernization, as well as military construction and operations is required to provide and maintain quality infrastructure for our future force. We request Congress' continued support for facilities sustainment and demolition, family housing, environmental management, energy conservation and essential MILCON funding to support critical programs, units and institutions such as the Joint Strike Fighter, MV–22, Marine Corps Security Forces, Marine Corps University, Marine Cyber Forces, and the Townsend Bombing Range.

EQUIPMENT MODERNIZATION

In this austere fiscal environment, we are conducting only essential modernization, focusing especially on those areas that underpin our core competencies. We are mitigating costs by prioritizing and sequencing our equipment modernization and sustainment programs to maintain their readiness in a fiscally responsible manner. To maintain operational capabilities and readiness, modernization is critical in the areas of ground combat tactical vehicles; aviation; amphibious and pre-positioning ships along with their associated connectors; expeditionary energy; and intelligence, surveillance, and reconnaissance. Our modern expeditionary force will require fixed

wing aircraft capable of flexible basing ashore or at sea in support of our Marine units. The Joint Strike Fighter is the best aircraft to provide that support today and well into the future. Likewise, a core capability of our expeditionary forces is the ability to project forces ashore from amphibious platforms and to maneuver once ashore. We remain committed to developing and fielding an Amphibious Combat Vehicle that meets this critical need.

While we have not cancelled or extended any programs as a result of the fiscal year 2013 budget decisions, the uncertainty associated with fiscal year 2014 and out-year budgets could require us to continually review and adjust our program plans consistent with the changing budget environment. Decreasing budgets within ongoing acquisition programs would necessarily lead to a review of the programs' ability to execute approved cost, schedule, and performance parameters. Our HMMWV, AAV, LAV, and tank modification programs, which are critical to maintaining the operational availability of these vehicles, would likely be slowed significantly yet remain essential to our medium- and long-term operational readiness. Critical survivability and mobility upgrades to the AAV and LAV fleets would be delayed. These delays would ultimately impact our ability to support our forward and deployed marines with ready, relevant, and capable combat systems. We request Congress' continued support for modernization to maintain the high level of future readiness our Nation will need.

PREPARED TO SUPPORT THE DEFENSE STRATEGIC GUIDANCE (DSG)

Last month, Secretary Hagel launched a Strategic Choices and Management Review to help define the major decisions that must be made in the decade ahead to preserve and adapt defense strategy and management under a range of future strategic and budgetary scenarios. We are confident the Navy-Marine Corps team and our inherent naval forward basing, crisis response capabilities and theater engagement capacity make us ideally suited to support the current strategic guidance and any future reiteration of it, particularly any focus on the Pacific Command region. The Marine Corps will rebalance its unit deployment program to 2001 levels during fiscal year 2013 and fiscal year 2014. Last year we deployed a company of marines from Hawaii to Australia to usher in a rotational presence that will grow to a Marine Expeditionary Unit sized Marine Air Ground Task Force, with associated units and equipment, during fiscal year 2016 to fiscal year 2017. Our rotational presence throughout Asia serves to reassure our allies, strengthen our ties, and demonstrate our commitment to the region. The sea-basing capability provided by our MPSRONs provides the flexibility to deploy forces anywhere, without reliance on mature infrastructure such as ports and airfields. Simply, sea-basing is uniquely suited to this theater where a vast amount of the area is water and does not have readily available port infrastructure to support a less expeditionary capability.

Our prepositioning programs are a unique strategic capability, giving us the ability to quickly respond to a wide scale of global crises and contingencies.

The MPSRONs are an afloat asset capable of providing global support to operational forces across the entire spectrum of military operations. A MPSRON provides an increased sustainment capacity and also supports the establishment of a Marine Expeditionary Brigade (MEB). Increasing strategic flexibility, the MPSRONs provide near immediate closure of equipment and supplies to the combatant commander to meet any contingency from combat operations to humanitarian assistance and disaster relief. This strategic program will require continued congressional support. In order for sea-basing to be effective, using both amphibious ships and MPSRONs, the amphibious ship-to-shore connectors will also require modernization.

The Marine Corps Prepositioning Program-Norway prepositions equipment and supplies ashore in caves. While available for global employment, they are particularly important assets for use in the European and African theaters. In a cost-sharing partnership with the Norwegian Ministry of Defense, we have built a viable capability that has been used in recent years to support theater security cooperation as well as several humanitarian relief efforts. Originally designed to hold the equipment and supplies to support a MEB, we are reorganizing the program to maintain its relevancy. Of note, we are adding communications and ordnance assets not previously prepositioned.

PARTNERED WITH THE NAVY

Sea-based and forward-deployed naval forces provide day-to-day engagement, crisis response, and assured access for the joint force in a contingency. Partnered with the Navy, we will continue to pursue innovative concepts for maritime expeditionary operations with platforms such as the Joint High Speed Vessel (JHSV) and the Mobile Landing Platform. As new maritime prepositioning force ships are integrated

into the MPSRONs, they will provide additional operational benefits to the combatant commanders, such as an over-the-horizon surface connector capability and better selective access to equipment and supplies.

A critical component in building, training, and maintaining an expeditionary forward presence is the availability and readiness of amphibious ships. The combat readiness of our amphibious ships is a foundational requirement for expeditionary force presence, and when required, amphibious force projection. As such, the Navy has acknowledged that low amphibious ship availability and readiness can present a significant challenge to the training readiness of our Naval Expeditionary Forces and is addressing maintenance readiness shortfalls. Since 2010, the average deployment length for a West Coast and East Coast Amphibious Ready Group/Marine Expeditionary Unit has been 219 days and 292 days respectively. The increased duration of deployment combined with a high operational tempo, reduced ship inventory, and deferred/compressed maintenance periods demonstrates the imperative to maintain planned/scheduled maintenance cycles and to build to adequate inventory. This has a direct impact on the readiness of the amphibious fleet and on ensuring the ships reach their service life. Continued congressional support for the Navy's shipbuilding and surface ship-to-shore connector plans is vital to the Nation's ability to retain and maintain an adequate fleet of modern combat-ready amphibious ships, which can provide continuous naval expeditionary presence and project power across the globe whenever and wherever needed.

Providing our Nation's leaders with "offshore options", naval aviation enables global reach and access regardless of changing circumstances. Through our partnership with the Navy, Marine Corps aviation continues to transition from 13 to 6 aircraft with current deployed forces successfully utilizing transition aircraft: the MV–22, AH–1Z, and UH–1Y. Top priorities for naval aviation include investing in fifth generation strike fighter capability (F–35B/C); persistent multi-role intelligence, surveillance, and reconnaissance; supporting capabilities such as electronic attack and vertical lift; robust strike weapons programs; and targeted modernization of the force for relevance and sustainability.

ADDITIONAL COMMITMENTS

In addition to providing the Nation well-trained, forward-deployed, and forward-engaged units of marines, the Marine Corps supports other national imperatives. In Indian Head, MD, the Marine Corps maintains a nationally engaged and pre-eminent Chemical Biological Incident Response Force capable of responding to chemical, biological, radiological, nuclear, or high yield explosive incidents.

Around the clock, our Marine Corps Security Forces Regiment marines guard a substantial portion of America's strategic arsenal. Marine Security Forces also encompass the deployment of Fleet Antiterrorism Support Teams to the Commanders of Pacific Command, European Command, and Central Command. These teams serve as a crisis-response force and guard high value American assets.

We are reshaping organizations, capabilities, and capacities to increase aggregate utility and flexibility across the range of military operations, to include enhanced support to U.S. Special Operations and Cyber Commands. We now have 759 Marine Special Operators and 549 Marine Critical Skills Special Operators of the 3,171 total Active Force marines, sailors, and civilians currently serving at Marine Corps Forces Special Operations Command (MARSOC), U.S. Special Operations Command (SOCOM). We will continue to complete our build of MARSOC, reaching full operating capability in fiscal year 2016 with an active-duty end strength of 3,113. Additionally, we currently have 308 marines assigned to Headquarters, SOCOM and its subordinate joint commands. From training, command and control and operational employment, all of these marines provide a critical role in realizing geographical combatant commander requirements in support of our National Security Strategy

At Cyber Command we have created an assigned company of marines. The mission of this company, Company L, is to plan and execute cyberspace operations in order to support joint and Marine Corps requirements. Company L is planned to grow significantly to meet Marine Corps Forces Cyberspace Command requirements by 2016.

Finally, Marine Corps Embassy Security Guards support 152 U.S. embassies and consulates around the globe and our fiscal year 2014 budget request funds 1,635 marines for this program. As requested by Congress, we are working with the Department of State to determine the appropriate number of marines and will report to Congress by October 1, 2013.

SUMMARY

On behalf of the marines and sailors who provide this Nation with its versatile, reliable, middleweight force in readiness, I thank Congress for your constant interest in and recognition of our challenges. Readiness contains a temporal aspect and with 32,000 to 38,000 new regular accessions a year, currency in our readiness is a state we continuously work to maintain. Without the ability to transfer money among accounts and the restricted ability to make choices regarding where to take cuts, the impact of reduced funding will end up disproportionally affecting our five pillars of readiness. Your continued support is requested to provide a balance across the five readiness pillars so that we can maintain our institutional readiness and, as you charged more than 60 years ago, "be most ready when our Nation is least ready".

Senator SHAHEEN. Thank you.

General Spencer.

STATEMENT OF GEN. LARRY O. SPENCER, USAF, VICE CHIEF OF STAFF, U.S. AIR FORCE

General SPENCER. Good afternoon, Madam Chairman, Ranking Member Ayotte, and distinguished members of the subcommittee. Thank you for the opportunity to share the Air Force's current readiness posture.

The cornerstone of our airmen's ability to provide airpower for the Nation at a moment's notice anywhere in the world is their readiness. Today, we are concerned about readiness for two reasons. First, 2 decades of sustained combat operations in missions around the world have stressed our force, decreased our readiness, and limited our ability to train for the full spectrum of missions our combatant commanders might call upon us to provide. Second, just as we were about to take a step forward in our fiscal year 2014 President's budget submission to arrest that decline in training and return to full-spectrum readiness, sequestration took us several steps back, and its impacts are not only affecting us now, but will continue to do so in the future.

You have already heard that sequestration will force us to induct 60 less airplanes and 35 less engines into our depots. This will have a direct impact on the aircraft available for our missions.

You may also be aware that sequestration has forced us to reduce approximately 200,000 flying hours in the last 6 months of the year. This reduction in flying hours and related support forced us to recently standdown nine fighter squadrons and three bomber squadrons. These standdowns are a direct hit to our readiness posture.

To put a face on this, last week I spoke with the wing commander at one of our three F–15E Wings. In addition to having two combat-coded fighter squadrons, one of which has been stood down, she also has two squadrons which are part of the Formal Training Unit (FTU) that trains new F–15E pilots and weapons systems operators. Since the remaining F–15E squadrons in the Air Force are either stood down or preparing to deploy, she has the only remaining squadron that is currently flying to full combat readiness.

Graduating from FTU is the final step before our young F–15E pilots and weapons systems operators move on to one of our three wings to begin their career in the jet that they dreamed of it is the reason they joined the Air Force. The commander worries about the morale of her fighter pilots and weapons systems operators with no jets to fly. Depending on how long the jets remain stood down, she

worries about how she and her fellow wing commanders will get their pilots and weapons systems operators requalified.

Before I completed my college degree and became a commissioned officer, I spent 8 years in the Air Force as an enlisted member. I can tell you first hand that all my fellow airmen and myself wanted was to ensure we could launch and maintain airplanes and space satellites so that we can fly, fight, and win as our Nation expects us to do. Whether we guard at the front gate, worked in finance, maintained the base infrastructure, or turned a wrench on an aircraft, we all got goosebumps when the Earth seemed to shake beneath a space vehicle launch or the roar of a jet engine, something we refer to as the "sound of freedom."

While our focus today is on readiness, we cannot forget that a ready force also needs to be modern and technologically advanced. Not modernizing our force in a timely manner will likely increase unit costs and drive inefficiencies for our long-term programs, like the F–35, KC–46, and long-range strike bomber, that are so critical to our continued ability to hold targets at risk around the globe.

Nearer term, modernization is also necessary to conduct our core missions. For example, we must modernize our fourth-generation F–15s and F–16s until we have sufficient fifth-generation aircraft to continue to provide the joint team with the air superiority on which they and America rely.

Madam Chairman and committee members, our Nation is fortunate to have world-class people who work hard to produce world-class airpower every day. Despite the current challenges we face, our airmen are the finest in the world, and they have—throughout our history, are stepping up to the challenge to deliver global vigilance, global reach, and global power for America.

The Air Force supports combatant command missions that require 24/7 availability and attention. Many of our high-priority missions cannot be done adequately, and in some cases cannot be done safely, at low readiness levels. Allowing the Air Force to slip to a lower state of readiness that requires a subsequent long build-up to full combat effectiveness will negate the essential strategic advantages of airpower and put the joint forces at increased risk.

America's Air Force remains the most capable in the world, but we cannot allow readiness levels to decline further, and modernization cannot wait for the next cycle of increased defense spending.

The U.S. Air Force and our sister Services comprise the premier fighting force on the planet, and our Air Force leadership team is fully committed to ensuring that we remain so.

Thank you, and I look forward to your questions.

[The prepared statement of General Spencer follows:]

PREPARED STATEMENT BY GEN. LARRY O. SPENCER, USAF

INTRODUCTION

America's Air Force has conducted 22 years of sustained combat operations and is continuing to meet high operational tempo demands to support today's fight. This has inevitably taken a toll on our weapons systems and people, and since 2003 has strained and degraded the overall readiness of the force. The Air Force fiscal year 2014 budget request attempts to align resources to slow our readiness decline and set the stage for restoring full-spectrum readiness. However, the current fiscal environment threatens to derail these efforts and put into jeopardy the Air Force's ability to meet combatant commander requirements. The rebalance to the Asia-Pacific

and our continued presence in the Middle East and Africa indicate that the demand for Air Force capabilities will remain constant, or perhaps even rise, over the next decade. To ensure that our airmen can continue to contribute our five enduring core missions to the joint team, our readiness must improve.

READINESS

The Air Force provides Global Vigilance, Global Reach, and Global Power for America through its five core missions of air and space superiority, intelligence, surveillance, and reconnaissance (ISR), rapid global mobility, global strike, and command and control. By integrating capabilities across these core missions, we bring a unique set of options to deter war, deliver rapid, lifesaving responses to threatened areas anywhere on the planet, and strike hard and precisely wherever and whenever the national interest demands.

The cornerstone of our airmen's ability to provide airpower to the Nation and contribute our core missions to the joint team is their readiness. "Readiness" is the ability of a unit to provide its designed operational capabilities within the required timeframe. It is comprised of personnel requirements, training (to include flying hours), weapon system sustainment, facilities, and installations. A responsive readiness posture depends on good health in all of these key areas. While protecting future readiness includes modernizing weapons systems and equipment, creating combat readiness in the near-term is a complex task involving the intersection of personnel, materiel, and training. It includes balancing time between operational and training commitments, funding from multiple sources, informed levels of risk, and effectively managing resources to achieve the desired state of readiness.

Mitigating the risk associated with a smaller military requires a ready force. If we attempt to sustain current force levels while personnel and operational costs rise, there will be progressively fewer resources available to support our current number of installations, maintain existing aircraft inventories, vital equipment and weapons, and invest in future capabilities—the definition of a hollow force.

The Air Force supports combatant command missions that require 24/7 availability. Space operations, command and control, cyber defense, ISR, special operations, personnel recovery, and nuclear deterrence are all high priority missions that cannot be done adequately, and in some cases cannot be done safely, at low readiness levels. In support of U.S. defense strategy, our air forces must be capable of quickly responding and shifting between theaters of operation. Allowing the Air Force to slip to a lower state of readiness that requires a long buildup to full combat effectiveness negates the essential strategic advantages of airpower and puts joint forces at increased risk.

The Consolidated and Further Continuing Appropriations Act, 2013, combined with sequestration reductions, results in approximately $4.4 billion less than our request from our operations and maintenance accounts from which we fund some of our foundational readiness programs, including weapons system sustainment (WSS) and our flying hour program (FHP). We project that sequestration will reduce WSS and FHP by about $2.1 billion from our original fiscal year 2013 budget request. These cuts will affect fiscal year 2014 and beyond by driving down aircraft availability rates, and potentially preventing our ability to fly additional hours even if funded.

The President's budget includes balanced deficit reduction proposals that would allow Congress to replace and repeal sequestration in fiscal year 2013 and the associated cap reductions in fiscal year 2014–2021. If sequestration is not replaced, the Air Force will have to rebuild degraded unit readiness, accept further delays to modernization, absorb the backlog in depot maintenance inductions, and invest additional funding to restore infrastructure. However, because sequestration impacts are already occurring, even if our readiness programs are funded to the levels requested in the fiscal year 2014 President's budget (PB), our readiness levels may still not recover to pre-sequester levels in fiscal year 2014. If the post-sequester Budget Control Act funding caps remain in effect, the Air Force will be unable to reinvigorate readiness and align with the Defense Strategic Guidance. In both the short- and long-term, sequestration will have devastating impacts to readiness, will significantly affect our modernization programs, and may cause further force structure reductions.

Weapons System Sustainment

WSS is a key component of full-spectrum readiness. Years of combat demands have taken a toll across many weapon systems, and we continue to see an increase in the costs of WSS requirements, which are driven by sustainment strategy, complexity of new weapon systems, operations tempo, force structure changes, and growth in depot work packages for aging, legacy aircraft. With recent force structure

reductions, we must carefully manage how we allocate WSS in order to avoid availability shortfalls. We are planning to fund WSS to 81 percent of the fiscal year 2014 requirement using funds from the base budget as well as overseas contingency operations (OCO) funds.

Sequestration has further set back our efforts to improve WSS. Depot delays will result in the grounding of some affected aircraft. The deferments mean idled production shops, a degradation of workforce proficiency and productivity, and corresponding future volatility and operational costs. It can take 2 to 3 years to recover full restoration of depot workforce productivity and proficiency.

Moreover, WSS funding requirements for combat-ready air, space, and cyber forces have consistently increased at a rate double that of inflation planning factors. Although service life extension programs and periodic modifications have allowed our inventory to support 22 years of unabated operations, the cost of maintenance and sustainment continues to rise. WSS costs still outpace inflationary growth, and in the current fiscal environment, our efforts to restore weapons system availability to required levels will be a serious challenge. Although the fiscal year 2014 PB adds baseline funds for WSS, we continue to rely on OCO funding for global contingency operations.

Flying Hour Program

The emphasis on readiness in the Defense Strategic Guidance reinforced the Air Force focus on the importance of maintaining our FHP as part of our full-spectrum readiness. For the fiscal year 2014 budget request, the Air Force balanced the allocation of flying hours across the Total Force to maintain—and in some cases—incrementally improve readiness levels.

However, as with WSS, sequestration affects our ability to improve readiness, and in fact, readiness levels are already declining. Lost flight hours will cause unit stand-downs which will result in severe, rapid, and long-term unit combat readiness degradation. We have already ceased operations for one-third of our fighter and bomber force. Within 60 days of a stand down, the affected units will be unable to meet emergent or operations plans requirements. Lost currency training requires 6 months to a year to return to current sub-optimal levels, with desired flying proficiency for crewmembers requiring even longer.

The flying hour program will continue to rely on OCO funding to support Operation Enduring Freedom and the redeployment of combat forces from Afghanistan. With the expectation of decreasing OCO flying hours, we have programmed increasing operations and maintenance (O&M)-funded flying hours in fiscal year 2015 and throughout the Future Years Defense Program (FYDP). Beginning in fiscal year 2015, the program meets approximately 90 percent of the peacetime training requirement to attain full-spectrum readiness across the Total Force.

The Air Force is committed to a long-term effort to increase our live, virtual, and constructive operational training (LVC–OT) capability and capacity by funding improvements in LVC–OT devices (e.g., simulators and virtual trainers) and networks. Adjustments to the flying hour program will continue to evolve as the fidelity of simulators and LVC–OT capabilities improve. Increasing our virtual capabilities will minimize fuel consumption and aircraft maintenance costs while ensuring high quality training for our aircrews.

Full-spectrum training also includes the availability and sustainability of air-to-air and air-to-ground training ranges. Many of our ranges are venues for large-scale joint and coalition training events and are critical enablers for concepts like Air-Sea Battle. In fiscal year 2014, we are increasing funding to improve and sustain these crucial national assets to elevate flying training effectiveness for the joint team, which in turn improves individual and unit readiness levels.

Readiness and Modernization

The decline in future budgets does not allow us to maintain force structure and continue all planned investment programs while also improving readiness. To prioritize readiness, we have made a conscious choice to assume additional risk in some modernization programs. Although we have been more effective in our use of operating resources and garnered savings from better business practices, the Air Force has been forced to terminate or restructure several programs. Program restructures and terminations include terminating the Space Based Surveillance Block 10 follow-on, freezing Gorgon Stare at Increment II, terminating Air Force participation in the Joint Precision Approach and Landing System land-based segment, and divesting the UAV (unmanned aerial vehicle) Battlelab. In addition, several key modernization priorities were deferred, including a replacement for the aging T–38 trainer and the Joint Surveillance and Target Attack Radar System surveillance aircraft.

To achieve the readiness levels we desire, the Air Force needs sustained modernization. For example, our legacy, or fourth generation, fighter fleet has secured more than 20 years of an air superiority advantage, but may lose its ability to operate as effectively in contested environments. Weapon systems like the F–22, with contributions from the F–35, are what will carry America's Air Force forward to continue to provide air superiority. During F–35 development, it is imperative that we maintain our fourth-generation fighter fleet. Therefore, at least 300 F–16s will undergo a service life extension program and a capability enhancement called Combat Avionics Programmed Extension Suite, which permits them to remain relevant in the near-term threat environment until the F–35 is available in sufficient numbers. We are also upgrading the F–15 fleet's radar and electronic warfare capabilities that will permit it to operate in conjunction with fifth-generation aircraft in the future threat environment.

Other top modernization programs include the KC–46A and the Long-Range Strike Bomber (LRS–B). Because the future will likely call for us to provide rapid global mobility to remote, austere locations in contested environments, we will require a very capable tanker fleet. The KC–46A program will ensure that our Nation retains a tanker fleet able to provide crucial air refueling capacity worldwide for decades to come. The LRS–B is a key piece of the development of our long-range strike family of systems, the capabilities of which are critical to our ability to carry out our global strike mission.

America's Air Force remains the most capable in the world, but we cannot allow readiness levels to decline further and modernization cannot wait for the next cycle of increased defense spending. We have important production lines underway and development programs that are, or will soon be, mature enough for production. Cancelling programs in anticipation of a future generation of technology would be wasteful and, in some cases, risk the loss of critical engineering talent and technological advantage. New threats and corresponding investment needs are not theoretical future possibilities. They are here, now. Air superiority and long-range strike capabilities cannot be assumed. Significant investment in fifth-generation platforms and munitions is essential to address these threats. The future success of the Nation's military and the joint team depends on modernizing our Air Force and keeping it ready to fight.

CONCLUSION

The Air Force's core missions will continue to serve America's long-term security interests by giving our Nation and its leadership unmatched options against the challenges of an unpredictable future. In the last several decades, Air Force airpower has been an indispensable element of deterrence, controlled escalation, and, when so tasked by the Nation's leadership, destruction of an adversary's military capability—all accomplished with minimal casualties to U.S. service men and women and civilians. However, investments in Air Force capabilities and readiness remain essential to ensuring that the Nation will maintain an agile, flexible, and ready force. This force must be deliberately planned and consistently funded, as reconstitution of a highly sophisticated and capable Air Force cannot occur quickly if allowed to atrophy.

Today's Air Force provides America an indispensable hedge against the challenges of a dangerous and uncertain future, providing viable foreign policy options exclusive of a large military commitment on foreign soil. Regardless of the future security environment, the Air Force must retain and maintain its unique ability to provide America with Global Vigilance, Global Reach, and Global Power.

Senator SHAHEEN. Thank you very much, everyone.

You've all spoken very eloquently to the potential impact of sequestration. One of the things that I have been struck by as I've listened to you and talked to other of our leaders in the military is that this is not just a problem for 2013, but it becomes an increasingly difficult problem as we go into 2014 and beyond. So, I wonder if you could talk about what our forces are going to look like at the beginning of 2014 if sequestration remains in place. Then, assuming we can address it by the beginning of 2014, how long will it take us to restore readiness to the levels that you all would like to see?

I don't know if someone would like to go first or—I'm going to ask all of you to address that.

General SPENCER. Sure, Senator, I'll start.

First of all, we don't know what our budget is in 2014, so there is a lot of uncertainty there. There's the law—current law, which is sequestration; and there's the President's budget submission; and there is a House and Senate version. So, we don't know yet what our future is. That uncertainty is very unsettling.

But, let me give it a couple of examples. If you stand—I mean, I—at home, I have a 1972 Chevrolet Monte Carlo. Because it's old, I have to start that car at least once a week to get the transmission and everything working, or it won't run very well. It gets cranky. Airplanes are similar. If you sit airplanes down and you don't turn the engines, they don't taxi, they don't takeoff, they don't work very well. So, if you stand down airplanes over several months, that's a problem.

Next, obviously the aircrews are not flying those airplanes. So, over time, their currency degrades and deteriorates.

The same with the maintenance troops that fix those airplanes. If they aren't fixing airplanes, if they aren't working on airplanes, then they are not as sharp as they need to be.

So, that's airplanes. On the other—just to give you another example, I mentioned that we're going to send 60 fewer aircraft and 35 fewer engines in the depot. I used to be the vice commander of the depot in Oklahoma City. For a KC–135, which is a tanker, it takes a little over 200 days to get that airplane in, get it stripped down, fully redone, and out. So, that's 200 days for just that airplane.

When you start backing up that line of airplanes that are stuck—so, first of all, you have those airplanes who can't fly in, so now, depending on how many hours they have on them, they too will be grounded and are sitting around. You have the civilians there who potentially could be furloughed. So—and you have those engines, now, that are backed up. So, you have this whole clogged system of airplanes and engines and people that need to move and need to be active to be sharp.

So, it's almost like a weight or an anchor, if you will, that we're going to pull, now, from 2013 cross the 2014 line. So, regardless of what happens in 2014, if sequestration goes away and we cross that line into 2014, we still have those airplanes and those pilots and those maintenance people and those engines and those aircraft that didn't go into depot sitting on our doorstep. So, we have to start, first in that hole, to try to dig ourselves out.

Senator SHAHEEN. Thank you.

Anyone want to add to that at all?

General PAXTON. If you wanted us to go by Service, Madam Chairman, and—just a few things on the Marines side. I would echo what General Spencer said, in that, with the fiscal cuts, the degradation may be linear, but the restoration is not linear. Because once you bottom out, things don't repair that quickly, either the equipment or the lack of training for the individual or the training for the cohesed unit, if you will.

As an example, I would take, on the Marines side, our F–16 aircraft—our F–18 aircraft. Right now, we have 5 of our 12 squadrons deployed, and we have another squadron that's a training squadron. Those are fully manned, organized, trained, and equipped. As

I said in my written and oral statements, we believe that those squadrons will stay that way, not only for the current deployment, but at least for the next two deployers, the one that will go in the fall and the one that will go late winter, early spring.

What that means, though, is, for the seven squadrons who are back at home, that they have aircraft that are not going into their phased maintenance, and they're what we call out-of-cycle reporting. So, with the passage of time, those aircraft will stay off the line. Their gripes or their maintenance complaints will go up, and then the repairs will go down.

So, what we will have is pilots who need to train on those aircraft who will not get their minimums. So, what—right now, we have 12 average aircraft per squadron, and normally we have about 9 or 10 that are up and ready. Our prediction is that, a year from now, those squadrons will only have five or six aircraft that are up and ready, about half of that number. The 19 pilots who are in the queue waiting to train will then be vying for minimal hours on those aircraft. Plus, if you tie it in with the Navy, if they have reduced steaming days, some of those pilots will need to get night-vision operations or deck bounces on the aircraft. So, it's a compounding effect.

So, the linear degradation won't get restored the same way, ma'am.

Senator SHAHEEN. Thank you.

Admiral?

Admiral FERGUSON. I would just add, is that, as you look at sequestration, the impacts on both the readiness accounts, where we're adjudicating $4 billion in reductions in—so, we've deferred some of that maintenance, and we've moved that training into this year. On our shore infrastructure, we've deferred about $1 billion worth of work, and so that will take about 5 years to recover. On our depot maintenance, if we get the fiscal year 2014 levels, we can try and eliminate or—that backlog in about a year or 2, on the ship side.

But, this cumulative effect of introducing new capabilities, because a $6 billion reduction in investments and then there's another reduction next year—it's going to be very difficult to catch up. The effects, I would agree, are cumulative, particularly on the readiness side. It does take longer, and more expensive, for you to recover that readiness later.

Senator SHAHEEN. Thank you.

General CAMPBELL. Yes, ma'am, I'd agree with all my colleagues, here. We're really compounding risks. So, as we continue to move to the right, your Army—our Brigade Combat Teams (BCT)—I'll use that as a measurement; easier to do that—if they're trained at a brigade level, which is what we would send them to go fight, we talked about 80 percent by the first quarter fiscal year 2014 being at squad level. So, that will take more time, more resources to get them up to a level to be able to deploy. It's—and it is about time, and it is about risk.

An example would be if General Thurman, in Korea, had to deploy BCTs for an operation plan. Without going into great numbers, if we continue on the path we're at, he said, "I need X amount of BCTs," probably by the first quarter of 2014, we'd be able to pro-

vide him the one that's already on the ground in Korea, because we'll continue to fund that where it is today; we have the global response force that we'll continue to fund; we may have one or two other BCTs who are at a level they can rapidly respond. The rest of them will take more time, more resources to build out of that hole. We'll continue to dig that hole in 2013; it'll carry over into 2014.

On the aviation piece, as far as the Army's concerned, on pilots, the same issues with pilots and being able to train in the time. An example: 2 years ago, we had a backlog of pilots at Fort Rucker of about 300. It took us about 3 years to get them back up to speed. We're looking at now about 700 pilots, based on fiscal year 2013 numbers, that we're going to have to carry over into 2014. We anticipate probably 3 to 4 years to get them back up to a level they need to be.

Senator SHAHEEN. Thank you. Thank you all.

Senator Ayotte.

Senator AYOTTE. Thank you very much, Madam Chairman.

I wanted to ask, to follow up on Senator Shaheen's question on sequestration, and particularly wanted to ask about the concept of a hollow force. Something that we've talked about, heard about, I think we've seen, historically—for example, the examples of Task Force Smith, in Korea, when we've previously reduced defense spending and been brought to a hollow force. Can you please let me know, on your testimony—probably starting with the—certainly, each of the branches, but starting with the Army, what are the indicators of a hollow force? What—based on those indicators, how—as we go forward with sequestration, how close are we to a hollow force? When does that risk become grave?

General CAMPBELL. Thank you, ma'am.

For a hollow force, we really look at three components: end strength, modernization, and then readiness. As you noted Task Force Smith, after Korea—after every conflict, we continue to bring our Armed Forces down. The difference today is that we live probably in the most dangerous times of our life, we are in a continued fight for the next couple of years, and, as we're trying to bring down that force, we have to continue to supply that force.

So, we have to balance both modernization, which we're not able to do, with sequestration, to the level that we think is required. End strength, we're already coming down 80,000 on the active side. At 490,000, based on the Defense guidance now, we believe that we can accomplish the missions that are required. But, with sequestration, we will definitely go below 490,000.

For the Active and for the Guard and for the Reserve: For the Guard, we cut 8,000, but no end strength. For the Reserve, we cut 1,000, and no end strength. That was based off the BCA. Under sequestration, we'll have to go back to the National Guard and to the Reserve and take a proportional cut from those forces, as well.

So, when we get end strength, the modernization, and the readiness out of balance—you could have a very large end strength, but you can't modernize, you can't get them trained—then you become hollow.

Senator AYOTTE. Any other comments on that? [No response.]

Just so our colleagues understand, even beyond this committee, isn't that—this concept of a hollow force is a real, tangible risk of sequestration, that, if we follow through with this, we could end up in this position, given, right now, I think, the readiness of our forces; meaning we've fought valiantly in Iraq and Afghanistan, and they're phenomenal, but this is a real risk that we face if we continue on this.

Admiral FERGUSON. Senator, I would just add, there's one other element, for us, because we're a very capital-intensive service. We rely on our industrial base and the ability to create the new weapon systems, maintain our ships and aircraft. That is an element, as well, in addition to the three that General Campbell mentioned that I agree with.

Senator AYOTTE. Admiral Ferguson, following up on that, where are we with our fleet size? We've said that we need, I believe, 306, is it, as a fleet size for the Nation to meet all of the requirements of our Strategic Guidance for the Nation and for, obviously, our shift to the Asia-Pacific region. So, where are we now with that, with sequestration? Where does our fleet end up if we continue with these cuts, going forward, over the—not only the Future Years Defense Program (FYDP), but going over to the 10-year period?

Admiral FERGUSON. Senator, I think if you—when we submit our 30-year shipbuilding plan with this budget, you'll see that we project to be at approximately 300 ships by 2019, is what our current projections are, assuming that level of funding. With sequestration, that number will have to come down to keep the readiness of the force in balance so that the ships we have are ready. We see that number in the FYDP period falling to about 260, I would believe; and then, over the long term, the fleet size would decrease even smaller than that.

Senator AYOTTE. Previously, I had heard that number of—if we keep going over the—to the 10-year period, that it could get down to 230–235. Is that true, Admiral?

Admiral FERGUSON. That is a correct number, yes, ma'am.

Senator AYOTTE. Thank you for that.

I also wanted to understand, in thinking about the *Virginia*-class submarine program—first of all, how is that program performing, operationally?

Admiral FERGUSON. The *Virginia*-class is performing extraordinarily well, operationally. It's very stealthy, it's valuable, it contributes across a whole range of joint force missions. We're very happy with it. In terms of production, it's coming in on its cost targets, and it's even being produced ahead of schedule by the builders. So we're——

Senator AYOTTE. How often can we say that around here? That's great.

What percentage right now of combatant commander requirements for attack submarines was the Navy able to support in fiscal year 2012?

Admiral FERGUSON. We're meeting 100 percent of what the Joint Staff adjudicates. But, of the actual combatant commander requests, it's about half of those, about 50——

Senator AYOTTE. So, half of the requested attack submarine support by combatant commanders is met?

Admiral FERGUSON. That's correct.

Senator AYOTTE. Obviously, if our fleet were to go down substantially, that would be even a more diminished number, based on what they think they need in the field.

Admiral FERGUSON. That's correct, Senator.

Senator AYOTTE. How important is it that we go forward with the Virginia payload module as it is now——

Admiral FERGUSON. Well, as you——

Senator AYOTTE.—to the attack submarine fleet?

Admiral FERGUSON.—as you look at our force structure, we are—the SSGN fleet will reach the end of its service life. So we're investing in the research, development, test, and evaluation project to add a Virginia-payload module, which would give us a strike capability from that vessel. We're targeting the Block 5 buy to finish the design work to make the decision to install it. But, we think it's important to replace that strike capability from the submarine force.

Senator AYOTTE. Thank you.

General Campbell and General Paxton—so, at this point, as we're reducing the size of our forces—you talked about, General Campbell, us going to 490,000 with an 80,000 reduction in the Army. Are we in a place where we have to do any involuntary separations? As we move forward and we have to make—if we continue with the sequestration and have to make further reductions to our forces, will there have to be involuntary separations, which, of course, so people understand, we're—we would be issuing these, sometimes, to individuals who have served multiple tours, who have done what we've asked of them, and then, here we are, saying, "We'd like you to go."

So, General, can you tell us what the possibility of that is?

General CAMPBELL. Yes, ma'am. For the 80,000 decrease we're going through right now, we really worked hard to get the personnel policies to make sure we could take care of all of our soldiers and families, working most of that reduction by regular attrition, but we will have to take down involuntary separations for colonels and for lieutenant colonels. We'll try to keep that number low. At some point, we'll probably have to go to the captain level and reduce some of our captains, as well. So, these could be young captains that served two or three, maybe multiple tours, either in Afghanistan and/or Iraq. We are working that very hard with our leadership. We will be very compassionate. But, again, that's 80,000. We will have to do some involuntary separation. We will have to do a lot more of those through sequestration.

General PAXTON. Yes, thank you, Senator Ayotte.

Much in line with the Army, we have a planned reduction. With the—after September 11, the Marine Corps went from about 185,000 or 186,000 up to 202,000. We're on our way down to 186,000 now. We thought, prior to sequestration, and certainly in the immediate aftermath, that we may have to go down to about 182,000. So—General Amos has articulated that in his testimony. So, we have a drawdown plan, if you will, to get from 202,000 to 186,000 and perhaps to 182,000.

Right now, our cohorts that have come in through entry level are leaving, probably, at about the rate of 3,500 to 5,000 a year. We can manage that over the handful of the next couple of years.

It's obvious that recruiting and retention at the entry level will not be sufficient. We have to grade-shape the force. This past year, for the first time in many years, we did do selective early retirements. So, at the lieutenant-colonel-to-colonel and major-to-lieutenant-colonel level, those who had been looked at and not selected, we did do some selective early retirements. Very modest number, but we predict that we will probably have to do that again.

We're about 65 percent first-term. So, most of the marines are under the age of 25. So, it becomes important, then, as we do what General Campbell said, which is to balance our readiness and our modernization, that we're going to have to grade-shape those who are there. Many have stayed and served most admirably in Iraq and Afghanistan, but at some point, some of the ones—whether they're a master gunnery sergeant, sergeant major or a lieutenant colonel/colonel, we just won't be able to keep them around.

Senator AYOTTE. Thank you all for being here.

Senator SHAHEEN. Thank you.

Senator Donnelly.

Senator DONNELLY. Thank you, Madam Chairman.

Thank all of you for your efforts.

One of the areas we've been working on is the tragedy of suicide in our military. I would like to thank each of the Services and the Veterans Administration (VA) for recognizing the damage that this causes. Currently our mental health system relies on the servicemember's or veteran's willingness to self-report. The backup to the system is relying on peers and coworkers and—to make judgment calls as to the mental health of the servicemember.

Suicide mental health is often considered a personnel issue, but I also consider it to be a readiness issue. This is something, when we looked—it breaks your heart that more committed suicide than were killed in Afghanistan last year. We don't want to lose anybody at any time, but you think of that figure, and it is staggering. As we try to solve this problem—to each of you—what do you see as the leading cause of this within the military?

Admiral FERGUSON. Well, Senator, we've done a lot of work on that recently. We appointed a task force, headed by a two-star, that really looked at the Navy issues, followed on the work of the Army and the other Services.

Senator DONNELLY. By the way, I just want to mention very quickly, General Chiarelli, who was formerly Vice Chief, has done an extraordinary job working on this. It is his passion, I know that.

Admiral FERGUSON. Yes. What we're seeing, it's—they're not Service- or Navy-unique. It's relationship problems, psychiatric history, discipline, legal problems, and physical health. We don't see a tie, in the Navy cases, to operational tempo (OPTEMPO), and we actually don't see a generational divide, in terms of millennials being more susceptible than other generations. They're actually not. They're bringing our rates down.

We see the main risk factors of those that lose a feeling of belonging—to an organization or to a family. They feel overwhelming hopelessness, and they've overcome the fear of hurting themselves,

to make the pain that they're experiencing go away. So, we think we have to address those factors as we go forward. That's what we see as the causes.

General CAMPBELL. Senator, I'd just echo that, as well. We, a couple of weeks ago, started our Ready and Resilient Campaign. Really, we have to look at it from a cultural change in the Army, on suicides. It is about education. You're absolutely right. It is all about readiness, and we have to make that tie. We have to continue to work to make sure that people understand the trends that we see out there; the same ones that the Navy just talked about are the same ones that we see.

This is not a Service issue, this is a national issue. If you take a look at our Nation, I think it's one every 14 or 18 minutes, somebody commits suicide in our Nation. If you take a look at the Services and look at that population of young men and women in the 17 to 24–25, we're probably commensurate with the rest of the Nation.

But, it is a national problem. We all have to work together to get the mental health professionals, be able to afford that, get them down to the lowest level. I think, for the Army, we continue to work that very hard. General Chiarelli has led that force. He continues to do that in the civilian world now. I will champion that for the Army, as well as the Secretary and the Chief, on health of the force.

But, financial—we have not really seen that it's deployments/not-deployments. It's about 50–50. There are people that have come into the Service, I think, that have stressors already, and they come in, and they lose a sense of belonging. We have to just continue to work that from the lowest levels. It's about knowing every single soldier, and it's—it is a command responsibility. We just have to get back into knowing everything we can about every single soldier, about their family. I think leadership will get us through this.

General PAXTON. I was going to add, Senator—thank you—that I agree with, obviously, my two colleagues here, and I think all the Services have, not only service-unique, but a lot of the shared ideas and a lot of shared data about campaign plans on how to tackle this. It is about small-unit leadership. It's about some intrusive leadership and really getting to know your soldiers, your sailors, and your marines.

I think, germane to today's testimony, in the issue of sequester and fiscal resources, I know, in the specific case of the Marine Corps, and, I believe, all the Services, we're committed to apply resources—fiscal resources to keep these programs alive. Because, for us, this is all about the most important thing, which is that individual soldier, sailor, airman, and marine, and the actual Americans that go out and execute these hard missions.

Senator DONNELLY. We are working on legislation to integrate annual mental health assessments into the servicemembers' overall health assessment. As you said, almost bringing it down to knowing your marines, knowing your airmen, your sailors, and your soldiers, and would appreciate it very much if, in the process of this, we can lean on you for your recommendations and for your advice in this process.

I just want to switch, very quickly, to the National Guard. We just had a situation where a number of our Indiana Army National Guard groups were off-ramped with 6 weeks to go before they were to be deployed. It's been extraordinarily difficult on their families—on the soldiers, but also on the families, as well. We were just wondering, when the Army off-ramps a National Guard unit and moves it to the bottom of the patch chart, what does this do to the unit's readiness?

General? General Campbell?

General CAMPBELL. Yes, sir, thanks for your question, sir.

Both Active and National Guard and Reserve soldiers are being off-ramped. As the President announced a while back, we're going to cut 34,000 in Afghanistan, so we really depend on U.S. Central Command (CENTCOM) and International Security Assistance Force to provide us where they want to take those soldiers, those units out, and then we continue to work that piece. So, it is something that we do not want to do, especially to the National Guard, because of the unique nature that they have to be able to get ready. We try to do that and give them as much notice as we can. We try to work that at least 180 days out. In the case we're referring to, I know we did not do that, and that was compounded by a year or 2 ago, as we came out of Iraq very quickly, we had to off-ramp some units. When we came out of Iraq, we were able to put some folks in Kuwait, we were able to transfer some folks into Afghanistan. At this point in time, we're not able to do that.

As we took a look at the severity of the budget impacts, we had to look everywhere we could. We were able to use an Active component, as opposed to National Guard in this case, and it saved us upwards of $80-plus-million to be able to do that. We understood the impact that that would have on the National Guard. It was a very, very tough decision. But, again, we're making those decisions, taking everything into consideration. Both the Active, the Reserve, and National Guard have——

Senator DONNELLY. On such a short notice, 60 days out—I know that has been changed to make it 120 days now—but, to those soldiers who in—who it did happen to, how do you ever—what do you say to them to convince them they are still considered a partner and a teammate in this effort?

General CAMPBELL. Sir, as on the suicide piece, leadership can make anything happen, here. You have to get down to small-level unit, you have to talk to them about how important they really are. This was a timing issue. This is nothing against National Guard, verse Indiana, verse another State, verse Active. It was all about timing. I think that the leadership needs to grab those soldiers, sit them down, tell them we appreciate what they've been doing for the past year and a half to get ready to go, and that we need them to continue to stay ready. The next time that they are asked to go, that they will be ready, and that they have value—that we value their service. But it's hard for me to do it up here. I need the leadership down on the ground level to grab them, look them in the eyes and talk about that. Again, we have to do that across the force.

Senator DONNELLY. Thank you all for your service.

General CAMPBELL. Thank you, sir.

Senator SHAHEEN. Thank you, Senator Donnelly.

Senator Kaine.

Senator KAINE. Thank you all for being here today.

One of the things that I've been doing to climb the learning curve as the new guy is—on this committee and in the Senate—during recess weeks, traveling around to installations around Virginia. I've been to, let's see, Belvoir and Lee, and at Oceania and Norfolk Naval Base, Quantico, Langley, Guard armories, VA hospitals, military contractors—to just kind of climb the learning curve. One of the things I think we've said about sequester, for example, is that the warfighter is exempt. We're protecting warfighting. Obviously that means that—the operations in Afghanistan or—and elsewhere. But, it does seem as I travel around to the installations and I found out what the actual effect is, that it's a pretty thin line. I mean, I think we need to say we're protecting the warfighter, and we are, if you define it pretty narrowly, but some of the things that we're allowing to degrade have a pretty direct effect on warfighting.

So, for example, each of you—each of your Service branches makes extensive use of civilians for very important and critical missions. Am I right about that? You use them in different ways, and you have different strategies about how to manage things like furloughs. But, I mean, the—a civilian could be a nurse at an Army hospital at Fort Belvoir that's taking care of warfighters, that are in a Wounded Warrior Brigade, or it could be a maintainer of F–22s at Langley, that are pretty critical. So, the fact that it's—"Oh, it's just civilians," I mean, this is pretty critically related to the warfighting mission.

The effect on contracting and capital—you mentioned, Admiral, you're pretty capital heavy on the Navy side, and the shipyards in Virginia, the shipyards in New Hampshire and Maine, and these are directly connected to our ability to forward-deploy force. When maintenance or other things get delayed, or we decide not to deploy the *Truman* or something, I mean, it has a direct impact upon the support for warfighting missions.

I was wondering about this, General. You referred briefly to the embassy security, which, we know, in the aftermath of Benghazi, how important that is. I visited the Marine security guard training facility at Quantico, and you're in a phase-up there. You're both doing a—physical infrastructure phase-up, with a mock embassy compound. But, you're supposed to significantly increase the number of Marine security guards that you're training. Is that a warfighting mission that's protected from sequester, or is that something that's subject to sequester?

General PAXTON. No, sir. In the short term, it's not—it is protected, because it's the next-to-deployer. So, we will take a look at those classes of watch-standers and those classes of noncommissioned officers that are going through, and we will pull them out of—most of them have probably done two, three deployments—Afghanistan or Iraq; they've just recently reenlisted, or are about to; probably a corporal at the 4- or 5-year mark. So, that's the talent pool that will go to the school. So, we will ask the commands, as they look at reenlistment stuff, to send that talent to Quantico, and we'll keep the next couple of classes going.

So, in the short term, it is protected. In the long term, you're absolutely right, it's like everything else. What—we want to increase the number of Marine security guards out there. We have a master plan with the State Department, where I think we have 13 that are projected to grow, and 4 of which we will source by the end of this calendar year.

But, there's a larger appetite there, a larger requirement, for both consulates that have not been protected or embassies that need additional protection, that we are—we feel obliged to support, that we are ready to support, operationally, but it's going to require extra end strength; or, if we take the end strength out of existing end strength, as we have on hand now, then those are other missions that we have not—that we may not be able to do.

So, this is—it's an ongoing discussion. It's part of the initiative that Congress asked us to take a look at, and they're working with the State Department. But, we're going to have to carve out our way ahead, in any set of circumstances, and now it's aggravated by sequestration.

Senator KAINE. The Accountability Review Board, in the aftermath of Benghazi, suggested not only that the Marines bulk up, but that the foreign affairs security training also bulk up, on the State Department side. The State Department had proposed, or were pursuing, that recommendation to do a significant coordinated training center. They had an Environmental Impact Statement out, they were about to make an announcement, this month, of that, down at Fort Pickett, and they've pulled that back in and said that we're going to have to delay doing this. Again, the sequester effect, either on your side or on the—we may be protecting the warfighter, but if we're not doing the—all the things we need to do to—with dispatch about embassy security—we know that's a vulnerability; we've been made painfully aware of it——

General PAXTON. We're—continue to look at it, Senator. We have a good model. We can predict the number of people we need. We can predict the facilities that we need. We can predict the training pipeline and everything. So, now it's a matter of the resources. Consequently, when you get to the resource piece and sequestration is in effect, how you fund that and how you take care of that is going to be——

Senator KAINE. How much of the readiness in each of your divisions is related to the issue of the retrograding of equipment back from Afghanistan and then refurbishing and reusing that equipment? To the extent that there's delays or that that's a challenge, how does that affect the readiness issue?

General CAMPBELL. Sir, I think it's going to be huge. For the Army, we have about 80 percent of the equipment over there. It's about $28 billion worth of equipment. We need about $22 billion back here to make sure that we can maintain readiness for our Army in the future. It's a little bit more difficult than Iraq. In Iraq, we could drive it out. We had Kuwait as sort of a catcher's mitt. Afghanistan, landlocked, the problems we have with Pakistan—we developed some routes through the Northern Distribution Network—will help. We're flying a lot more out, so that's much more expensive. But, the equipment that we have here, we can—that we have there, we cannot afford to just leave it there and then buy

new equipment. We just can't do that. So, we need $22 billion worth of equipment out of Afghanistan, here in the next 18 or so months. So, I'm very concerned about that. But, we need that for the readiness of our Army to continue in the future.

Senator KAINE. Just to kind of cross X or go a little farther, so you need to have $22 billion of that back. Then you've factored in—because it's been there and been in use. I mean, it's not just about getting it back and then you can immediately use it. You have to get it back, you have to then put some investments into making it——

General CAMPBELL. Yes, sir.

Senator KAINE.—suitable for the next deployment. To the extent that we're delayed getting it back or the dollars for the investments are not there or it's delayed—you're——

General CAMPBELL. Sir, we've been very consistent, the last 3 or 4 years, that we need 3 years of OCO money after the last piece of equipment's out of Afghanistan—3 years.

Senator KAINE. That's largely around the equipment issue?

General CAMPBELL. It's around the equipment, yes, sir.

Senator KAINE. General Paxton, were you going to——

General PAXTON. Yes, sir. Army and the Marine Corps have been pretty much in step on this, sir. So, it is 3 years from the time the last individual, last piece of equipment comes out of Afghanistan. That's about the time we estimate that it'll take to reset. The Marine bill is about $3.2 billion right now, sir. We also have indicated that, because we have so much of our—so many of our equipment sets in Afghanistan, as well, that, with the sequestration, that'll mean less equipment to do home-station lane training with here. If the depots are adversely impacted with sequestration, it's a slower rebuild and restoration of the equipment that comes back. A real issue to the committee and to Congress is, we have pledged to rebalance to the Pacific, in line with the Defense Strategic Guidance, and we think that that—the rebalance to the Pacific will now be delayed beyond 2017, unless we get all the equipment out and then can maintain all the equipment.

Senator KAINE. Thank you.

Thank you, Madam Chairman.

Senator SHAHEEN. Thank you.

Senator McCaskill.

Senator MCCASKILL. Thank you.

Thank you all for being here, and thank you for the work that you have done and others have done along with my colleagues on the Senate Armed Services Committee, some of whom are here today, on our effort at getting at—after sexual assault in the military.

But, today I want to talk about the Distributed Common Ground System (DCGS). As you all know, DCGS is about a 15-year project from concept to today, around $4 billion. The idea was, we were going to integrate hardware and software, and take all the decision items and put them in a package that would make it interoperable platforms in each branch, be able to do everything from intelligence, communication, to weather, all in one package with a bow around it.

Your lab, last year, General Campbell, said that it was not operationally effective, not operationally suitable, and not survivable. Their words. In spite of that report—its strongest—by the way, the strongest criticism was around the intelligence capability, on top secret, which obviously is incredibly important to our fighters, that they know what we know about what danger there is in any environment they're in, based on our intelligence. We're spending an awful lot of money on intelligence, and the notion that we've spent this kind of money on this system, and we can't get that intelligence information to them in an effective way is, frankly, unacceptable.

What really worries me is that acquisition, technology, and logistics (AT&L) went ahead and approved it, in December, for full deployment, calling it Release 1. Obviously, a budget justification for this was—for DCGS—was operating a networked environment at multiple security levels. I'm disturbed, confused as to how this could be deployed at this point. There's $270 million in the budget for 2014 for more money for DCGS. I—it has been reported, and I have personal awareness from folks, that units have filed urgent needs—the ones who have gotten DCGS have filed urgent needs—these are warfighters—saying, "Please give us this different program that has additional capability," and the Army has resisted that.

If we—if there is a program out there that is off-the-shelf and has this capability, in light of these programs and problems, shouldn't we be offering that to our units that are asking for it, who have used it and said, "This is what we need right now"?

General CAMPBELL. Yes, ma'am. I mean, I've been a beneficiary of the operational needs statement, of rapid equipping fielding, as a division commander, as a brigade commander, and as a deputy division commander in both Iraq and Afghanistan. The ability to grab a piece of equipment off the shelf, provide that to the warfighter, is critical. So, I've been a beneficiary; it has saved lives.

In the particular case you're talking about, on DCGS, on the TS, or the top-secret piece, that's a very, very small percentage of the capability of DCGS. I want to say less than 10 percent. So having seen DCGS in combat myself as a commander, although I didn't make that decision with AT&L, I would support that 100 percent.

The system you're talking about, I believe, is Palantir. DCGS takes over 500 feeds, as a system of systems, to be able to integrate the intel and fuse that. Palantir is just a complementary piece of it. It is a easy-to-read piece. If you're down at a small combat operating post and you just need a localized area, if you hook Palantir into DCGS, that'll give the young soldier on the ground a better picture, it will help him out, but he may be missing a lot of the intel feeds that DCGS would get him. So, if they use that by itself, you're going to put more people at risk. I'm telling you that, from my experience on the ground, that is the case.

My son is a soldier in the 82nd. He's a specialist. He deployed to Afghanistan. He was one of the units that asked for DCGS—or his brigade did, not him, himself. All the units that have asked for Palantir, which is a complementary piece that fits into DCGS, the Army has been able to give that to them, and the training, for the most part. The ones that they did not—I believe there's about three

units—there was an exception why they didn't, that either they didn't have enough time in country to get the training, they were in an area that it would not work, and then one I think a request was put in, and, again, they just couldn't get the equipment to them in time. But, all the units that asked for that, both the Secretary and the Chief wanted to make sure, if it was out there, we're going to give that to them, and we'll continue to work that piece of it.

So, I'm a believer in DCGS. I'm a believer that Palantir and DCGS, if they continue to work together, that they can make that system more effective. But, Palantir is a very, very small part of DCGS. It does—you can't even compare the two; it's like apples and oranges.

Senator MCCASKILL. Well, I'm not here to push anything.

General CAMPBELL. Right.

Senator MCCASKILL. I'm here to get to the bottom of whether or not we should have a system that has been deployed without full capability after we spent $4 billion.

General CAMPBELL. Ma'am, DCGS has saved lives. I mean, that's——

Senator MCCASKILL. I'm all for that, but I still want it to work and do everything that the budget justification said it would do.

General CAMPBELL. Absolutely.

Senator MCCASKILL. Frankly, that intelligence piece that it's missing right now would also save lives.

General CAMPBELL. It would.

Senator MCCASKILL. So that's what I'm focused on, how do we get to that place? What is the—what's it going to cost to get to that place? What is the problem? Is—was it a good idea for it to be pushed forward in December, even after the finding by your own lab that it was a problem?

General CAMPBELL. Ma'am, I believe it was a good decision. Again the top-secret piece is a very small piece. That's about a year-old data. Most of those corrections have been made to that system. I think we deploy a lot of systems into combat that we can incrementally improve, and we learn as they're in country, and we apply lessons learned, and we continue to add to that. If we didn't do that, we'd have people asking for stuff over there. If we wait for the 100 percent perfect solution, we'd put more lives at risk. So, I'm——

Senator MCCASKILL. Is the intelligence piece fixed now?

General CAMPBELL. Ma'am, I don't have the exact answer of the particular problem you're talking about. I know we've done a lot of improvements on that. I can get somebody to come back and talk to you——

Senator MCCASKILL. That'd be great.

General CAMPBELL.—specifically on the top-secret piece——

Senator MCCASKILL. That'd be great. I'd love to learn more—we've had a little difficulty on this one. I wrote to General Odierno and Secretary McHugh about it. But, I'd really like to know about the integration and how the other systems—regardless of what it is, are there other systems off-the-shelf that can complement, in a way that's less expensive than going back and doing some reconfiguration of DCGS? Because, I mean, here's—the good news and the

bad news is, after 6 years of this, you guys are given a job, you figure out how to do it. You just do.

General CAMPBELL. Ma'am, we'll get the folks over——

Senator MCCASKILL. That's——

General CAMPBELL.—to come——

Senator McCaskill:—that's what the military does. On the other hand, you are so good at getting the job done, it's very hard sometimes for you guys to say, "Maybe we need to stop here and not go further with this, because maybe we're not going to get it where it needs to be in a cost-effective way." In a way, I'm glad that happens, because that just means everybody has such a determination to get something done that we start, that no one wants to stop. I want to make sure that we're not so wedded to DCGS, that's been very expensive, that we're not complementing with whatever is available off-the-shelf.

General CAMPBELL. Yes, ma'am. No, we're with you, ma'am.

Senator MCCASKILL. Okay.

General CAMPBELL.—I'll make sure we get the right folks here——

Senator MCCASKILL. Okay.

General CAMPBELL.—to give you a more in-detail depth of it.

Senator MCCASKILL. Thank you all for your service.

Senator SHAHEEN. General, if you could also share that with the rest of the subcommittee, we would appreciate that.

General CAMPBELL. Yes, ma'am.

[The information referred to follows:]

The Distributed Common Ground System-Army (DCGS–A) is the Army's system for tasking, processing, exploiting, and disseminating intelligence at Coalition Releasable, Secret, and the Top Secret/Sensitive Compartmentalized Information (TS/SCI) levels. The DCGS–A program currently connects the Army to the Intelligence Community at the TS/SCI classification level through multiple fielded systems, including the Analysis and Control Element Block II, DCGS–A Enabled Tactical Exploitation System, DCGS–A Fixed sites, and the Guardrail Integrated Processing Facility. Consequently, there is no TS/SCI capability gap.

However, the use of multiple programs to search across a wide range of intelligence information at the TS/SCI level is extremely inefficient and time-consuming. Moreover, the Secret and TS/SCI systems do not currently cross-talk, which further adds to a labor intensive process. The next release of the program, DCGS–A Release 2, will address this inefficiency by integrating intelligence from multiple sources and will be interoperable with the DCGS–A Release 1 software, currently operating successfully at the Secret level. Moreover, the common software platform in the DCGS–A program will simplify the necessary training and associated learning curve as analysts use the system.

The DCGS–A software baseline 1.0 initial testing in May through June 2012 was not successful. However, it is important to note that the majority of the issues identified were within the TS/SCI software domain. Ninety-five percent of our operations in Operation Enduring Freedom are conducted below TS/SCI, where DCGS–A Release 1 successfully operates.

Following this initial testing, the DCGS–A program moved rapidly to correct and retest each major issue prior to the December 2012 review, and deferred incorporation of the TS/SCI capability to the next release (Release 2). The Army also reconfigured the program to fully address other risks identified during the earlier testing. The Director, Operational Test and Evaluation (DOT&E) tested this modified configuration and concluded that the system would provide users capabilities at least as good as those provided by the versions of DCGS–A utilized by deployed units. This assessment, coupled with the Army's inclusion of a number of incremental upgrades within the modified configuration, led the DOT&E to concur with the Army's Full Deployment Decision (FDD). Furthermore, the Office of the Under Secretary of Defense (Acquisition, Technology and Logistics) reviewed the program on December 7, 2012, and approved DCGS–A for its FDD. The cost to conduct the additional testing ($2.3 million) was offset by program efficiencies.

The DCGS–A acquisition strategy has always planned for an iterative delivery of software, and had already included plans to enhance the TS/SCI capability originally included within Release 1 through an improved version in Release 2. The deferral of all TS/SCI software implementation to Release 2 results in minimal impact to the DCGS–A program and long-term fielding approach. An operational test of Release 2, to include planned full TS/SCI capability, will be conducted in the second quarter of fiscal year 2014. Release 2 will begin fielding in the fourth quarter of fiscal year 2014. The cost to develop, test, and integrate Release 2 is $38.9 million.

Senator SHAHEEN. I want to follow up—we're going to do at least one more round. I have some additional questions. I'm sure that others here do, as well. But, I want to follow up on the issue that Senator Kaine was raising about furloughs, because—General Campbell, I was struck, in your testimony, when you talk about canceling the majority of depot maintenance, that—for third and fourth quarters—that that will result in the termination of an estimated 5,000 employees and a—not only a delay in equipment readiness for 6 divisions, but also an estimated $3.36 billion impact to the surrounding communities. Now, given what everyone has said about the potential for furloughs and—I'm assuming that we can multiply that impact across the Services and see that that will have a significant impact on the civilians that we count on to keep our forces ready and also the communities in which they work. I know it's an issue at the Portsmouth Naval Shipyard, because I've heard from shipyard workers there.

So, I wonder if you all could talk about any mitigation plans that you have in place to prevent the furlough of civilian workers, and how hopeful you are that those will be successful.

General CAMPBELL. I'll go first, ma'am. Again, we value our great civilians; I know all the Services do. We could not do what we do every single day without their great support. I understand the uncertainty, the stress of furlough/no-furlough, 21 days, 14 days, will put on them and their families. I would hope that we wouldn't have to put them through that.

For the Army—and I think it's different for each Service, but for the Army, our biggest issue—we have a huge, huge hole, and it comes from our OCO piece, and it's about $2.8 billion after—if we get all the reprogramming that we think we may get. So, if you look at a $2.8-billion hole that we do not know how we're going to fill, and then you rank-order everything out there and kind of create a one-to-end list, and furloughs is on there, and you take a look and prioritize, again, to the warfight, to Korea, to global response force, where furloughs come, and it's below providing to the warfight. We just have to rack and stack that way.

Out of our O&M account, it's a little over $500—about $530 million for the Army. There's some RDA piece here, based on some other furloughs, that take it up into the neighborhood of $700-plus million for the Army. So, if we were to buy back $700 million on furloughs, we would, again, eat up $700 million of readiness, potentially for next deployers going into Afghanistan, because that's why the Army really is looking at that very hard. We're working through the Service Secretaries and through the Joint Staff at the Office of the Secretary of Defense (OSD). This is not a place we want to go, but it's a place that we really have to look hard at based on the prioritization of everything else we have out there.

Senator SHAHEEN. Well, based on some of the testimony, are you not concerned, all of you, that, in the short term, the savings from those furloughs are going to get added on in the long term because we're going to lose those skills and capabilities? Then, of course, the impact on maintenance from the equipment that's going—that's not going to get done? Is—have you figured out the long-term impact of that?

General CAMPBELL. Again, ma'am, we don't know what our budget is for 2014, as was discussed earlier by General Spencer, but we have, we've looked at all that. Again, we have—it's about prioritization, it's about risk, and so, we've taken a hard look at that. Right now, the decision—there has not been a decision made. I think this will be a department-level decision, not a Service decision. We do realize and understand that morale, productivity, all those things will continue to go down. It's not a decision that we'll take lightly.

Senator SHAHEEN. Thank you.

Admiral?

Admiral FERGUSON. Senator, I would say that we're—all of us are involved in a very productive dialogue with OSD on this issue. Secretary Hagel's made it clear that if we can do better, we will do better.

From our perspective, furloughs impact mission readiness, and it's especially critical in our shipyards. It is critical as we look at the nuclear repair work that's done on our submarines and our aircraft carriers. There's a cascading effect that takes place that will reduce operational availability of those forces in the future. Second, if we attempt to recover later, there's a higher cost through the use of overtime and other means, at that point, to try and recover it.

It directly affects several carrier availabilities in the Norfolk Naval Shipyard and submarine work up at Portsmouth. For us, we recognize each Service is in a different place, and we have to make—and we're compelled to consider the furloughs, because of the O&M reductions that we're seeing under sequestration. So we're looking at a range of options because of the impact on readiness that we see.

Senator SHAHEEN. Are there other efforts that you all are undertaking, General Paxton, General Spencer?

General PAXTON. Senator, I think the other efforts—as General Campbell alluded to, this is—it's an issue of prioritization and rank order. None of these are palatable——

Senator SHAHEEN. Right.

General PAXTON.—solutions. We would prefer not to do any of them. But, as you and Senator Ayotte brought up earlier, none of us, by our DNA—we're not in the business of saying no. So, we're going to, unfortunately, mortgage long-term readiness to guarantee short-term readiness, because we really think that's what we're in the business to do for the Nation, to be ready if the balloon went up tomorrow, each Service to a different degree.

Admiral Ferguson brought up a great point; that when you look at CRs, sequestration, and OCO, each of the four Services is really in a unique place. We're not radically different, but the impacts of those three different fiscal constraints affect each Service differently. So, you're not going to get a one-size-fits-all. In the issue

of furloughs, you won't get a one-size-fits-all. I think both the Chairman and the Secretary talked yesterday about the trade space they're trying to carve out between short-term fiscal gain, the long-term fiscal problem, and what's good for both the performance and sometimes good for the optics for the team. So, these are just tough decisions, ma'am.

Senator SHAHEEN. Thank you.

General Spencer?

General SPENCER. Senator, I really appreciate your question, because I think all the Services are in a similar place, in that 80 to 90 percent of our civilians don't work in the Pentagon, they work out in the field. I'm not sure everybody quite understands that.

As an example, at our training bases, where we train pilots to—for pilot training—at several of our bases—I'll just pick one: Laughlin Air Force Base, in Texas—100 percent of the maintenance on those airplanes is performed by Civil Service civilians. So, if you talk about a furlough—I mean, that's a direct cut to the amount of airplanes they can provide and the amount of pilots we can train.

I think—and, on top of that, if you add onto that—we've stopped overtime. We have a hiring freeze on. So, it's really a bad problem. We all are in a little bit different place. But, I think, as Admiral Ferguson said, we are trying to work through this as best we can with OSD to see what is possible. We're at a point where we're looking at our checkbook, if you will, and we have flying hours, furlough, depots—we're trying to balance all of that. The issue is—and I don't, frankly, separate—I don't draw any distinction between Civil Service—we call them civilian airmen—I don't draw any distinction between civilian airmen and readiness, because they are so key to readiness.

So, trying to balance all that is really pretty difficult and is something that we're fighting every day.

Senator SHAHEEN. Thank you.

Senator Ayotte.

Senator AYOTTE. Thank you very much.

I just wanted to follow up briefly, General Campbell, just to clarify one point that you made earlier. I think you said, at one point, the Army faces a $2.8 billion shortfall in O&M funds without OCO for 2013. Is it actually $7.8 billion? I just want to make sure that we get all the——

General CAMPBELL. It's $7.8 right now. Yes, ma'am.

Senator AYOTTE. Okay.

General CAMPBELL. It's fluctuating a little bit. We're looking, hopefully, to maybe get some reprogramming, potentially at $5 billion. That would put it at $2.8. That's not guaranteed at all. So, $7.8 is really the OCO shortfall.

Senator AYOTTE. Okay. I just wanted to make sure. Thank you.

In fact, as we look at the testimony, certainly both of you, General Paxton and General Campbell, you've both testified that DOD will need 3 years of OCO funding post the last piece of equipment from Afghanistan. One of the things that I worry about is that—I sit on other committees here, and there have been a lot of people trying to claim that OCO money for other purposes. So it may be news to some people around here, outside of the Senate Armed

Services Committee, that you're going to continue to need the OCO money for the reset, the 3 years.

So, is it clear, the 3—I assume that the 3-years reset requirement, that's been made clear to OSD. So just making sure that everyone here within Congress understands that so that we don't try to designate that money for other purposes. This is absolutely critical to our readiness, not something we can skimp on or use for other purposes.

General CAMPBELL. Ma'am, I think we've been very consistent. I would tell you, I was a colonel, executive officer to the—our Chief of Staff, Pete Schoomaker, in 2003, 2004, 2005. At that time, we were saying we needed OCO reset, 2 to 3 years. As we've looked at it over the last several years, we've moved toward 3 years, as that equipment has been in country much longer than people may have thought, years ago.

We've been able to mitigate a lot of that, based on the great support we've had from this committee and Congress with the OCO, to reset in theater, reset back here. As kind of—people think, as you bring down the number of forces, that the OCO should come down. If you take a look at Iraq, at the end of that, we came down very quickly. The price of bringing soldiers out increased.

We've closed all of the small combat operation posts, all of those. The ones we have left to do to get out by the end of 2014 are the big ones—the Bagrams, the Shanks—those type of things. It's going to cost a lot more. We expect that has to come out of OCO. What we're doing right now, because we already have an OCO shortfall, is, we're taking from our base to pay some of those bills, putting us farther into the hole.

But, 3 years OCO for reset, yes, ma'am.

Senator AYOTTE. Could I follow up, as well, on this OCO issue, going forward, with respect to the Navy and the Air Force? Because I certainly understand you have some of the same issues with OCO, as I understand it. So, if you could make sure that that's clear to all of us.

Admiral FERGUSON. If you look at our base budget submission, compared to the OCO submission, we require, absolutely, the OCO funds both to sustain operations forward as well as depot maintenance during depot maintenance requirements. So, about 20 percent of the depot maintenance on aircraft and ships is funded in OCO for us. So, we're absolutely dependent on it.

Senator AYOTTE. Admiral, as we think about winding down in Afghanistan—obviously, but with what else is happening in the world—that 20 percent, is that something that we're going to have to incorporate in the base for the Navy going forward or is there a period of time? We've heard obviously from the Marine Corps and the Army, the 3-year period.

Admiral FERGUSON. Right. We've been on a path to reduce our dependence on OCO for that enduring maintenance. You've seen reductions in that from 2011 to 2013. We are going to need some period of transition as we come out of Afghanistan for us to make that migration, or an increase in the top line for the readiness accounts, for us to accommodate it.

General SPENCER. Senator, we're about in the same place as the Navy. We have a lot of our weapon systems support, depot support,

if you will, in OCO that would, at some point, have to roll to the base. We also have about a 2- to 3-year—we think—about a 3-year period after we draw down Afghanistan, for reset, as well.

Senator AYOTTE. Well, I appreciate it—and that's certainly something we want to work on with you, because that is a core part of readiness. When we have a conflict, we're involved, the OCO piece goes well beyond just the immediate conflict, because we have to reset. Sir, I appreciate that and your giving us that.

When you think about where we are right now—and I'm just going to ask you all a very straightforward question. What is it that most keeps you up at night with your responsibilities and the challenges you've faced?

General CAMPBELL. We have no certainty on where we're going with the budget. As we talked about earlier, you have three of them out there. You're going to ask us which one we would give you prioritization on. It's hard for us to answer that. We have great planners who'll continue to work it. As you said, it's not in our DNA. We're going to do the best we can. The problem we have is, we never say no. At some point, we're going to have to tell you, "We can't do that. We can't continue to do more with less," and—or else we're going to put soldiers, marines, airmen, sailors' lives at risk. So, I'm worried that too many people here in Washington forget that we're in a fight.

Senator AYOTTE. Right.

General CAMPBELL. We're going to be there for several more years. Tonight there's 60,000 people—troops in Afghanistan that are in harm's way. We can never forget that. We can't forget the sacrifice of their families.

Senator AYOTTE. Also, less than 1 percent of our Nation defending——

General CAMPBELL. Yes, ma'am.

Senator AYOTTE.—defending the rest of us, gratefully. Thank you.

Admiral FERGUSON. I would echo that concern about the fiscal uncertainty. For us, it's coupled with the extraordinarily high operational tempo that we're operating the fleet at. Over the last decade, we've decreased the fleet size by about 10 percent, while our deployed presence has remained about the same. We're seeing squadrons and ships spending an average of about 15 percent more days away from home per year than they did 10 years ago. You're seeing deployment lengths go up, in terms of the average carrier. An amphibious-ready group will deploy, 7 to 8 months. *Eisenhower* came home, turned around and went back for an additional deployment. Several will go for 9 months, and our ballistic missile defense ships are at 9 months.

This cumulative stress, with a very high OPTEMPO, fiscal uncertainty, and decreasing resources, from my perspective, is the one that I spend the most time thinking about.

General PAXTON. Yes, Senator Ayotte, three things, if I may.

First, on your previous question on the OCO, like—as with the Army, we've been fairly clear and consistent about the first 2 to 3, and now closer to 3 years, OCO after the closure of operations and activities in Afghanistan. But, I would just caution that that's not time-driven, that's event-driven.

So, you can actually finish something over there, and you can have the Pakistan ground lines of communication closed for 15 months because of negotiations and movement of vehicles. That will further delay things.

Senator AYOTTE. Right.

General PAXTON. So, we are obviously obligated, in terms of the way we do our fiscal planning in Washington, or the way we do our recruiting and training, to look at things in quarters and years, but it's an event-driven issue instead of——

Senator AYOTTE. Obviously, we have a bilateral security agreement that has to be worked out——

General PAXTON. Right.

Senator AYOTTE.—and there are so many other contingencies, yes.

General PAXTON. Then, in terms of, Senator, the things that keep me up at night, as General Campbell said, the unpredictability of the fiscal environment is one thing. It's easy to get lulled into a sense that the only big thing we have going on is Afghanistan. There's a lot of unease and unrest and potential danger elsewhere around the world that you expect your soldiers, your sailors, your airmen, and your marines to be ready for. Indeed, in the case of the Marine Corps, where we think, since 1950–1952, that's our mandate. With the Navy, we're supposed to be most ready when the Nation's least ready.

So, I worry that if we continue to focus on Afghanistan, then the gradual and seemingly negligible, but obviously compounding-overtime impact on home station training and the readiness of the next-to-deploy units, if the balloon goes up and you're relying on a home-surge capability, it's not going to be there. Unfortunately, the readiness—I worry less about a hollow force than I do about, particularly, broken units, and you won't see it until it's in the rear-view mirror.

General SPENCER. Senator, along with my colleagues, I'm really concerned about the uncertainty of our budgets going forward. But, that's sort of a Pentagon worry for me.

As I mentioned to you, I haven't always been a general. I started off as an E–1. So when I go visit a base, although we can't visit that much anymore, we don't have much money to travel, but I go right to those E–1s and E–2s and E–3s. I don't want to talk to the colonels.

If you visit a base that's had a—one of their squadrons stood down, I mean, they look at us and say, "What in the world is going on? What are we doing?"

I'm going to be very honest. I mean, everyone at this table could get out of the military and go make more money. But, we're here for one reason; it is those troops that are out there getting the mission done, and that's all they want to do. As you mentioned, only 1 percent of the public are even eligible to serve, and they don't deserve that. I mean, all they want to do is come in and serve. They watch the news, and they know the threats as well as you do. We're going to—if we get called to go do something, we want to go trained and ready, we want the best equipment we can have, and we want to go over there and get the thing done and come back. That's all that troops want to do. We owe it to them, I think, to

make sure that we're doing everything we can to get them the training and the equipment that they need. That's what keeps me up at night.

Senator AYOTTE. Thank you.

Senator SHAHEEN. Thank you.

Senator Kaine.

Senator KAINE. General Spencer, just one question real quick to connect a couple of the points. It really picks up on what you just said.

You talked about your maintenance folks are all civilians in Texas, a high number of civilians at Langley in Virginia. This tiered readiness structure, where you're standing down combat wings without saying more than you should—I mean, I—we're doing a lot of contingency planning for things like Syria or North Korea or Iran right now I would be fair to assume that the Air Force has pretty significant roles in all that contingency planning.

General SPENCER. Yes, sir.

Senator KAINE. If any of those contingencies or, God forbid, more than one, were to come to pass, there would be a pretty immediate need for an awful lot of Air Force activity.

General SPENCER. That's correct.

Senator KAINE. That depends upon training and maintenance and folks being ready to roll right at the moment.

General SPENCER. Yes, sir.

Senator KAINE. Yes, that's what keeps me up at night. Thank you.

Senator SHAHEEN. Thank you, Senator Kaine.

Apropos your comments, General Campbell, about, "At what point might we have to say no when the country comes and asks?"—one of the things that I'm not going to ask you all about, but I just want to put on for the record today, is, as you all know, we're changing over the system by which you report on readiness to this committee and to Congress. I know there have been some challenges in getting that new system up and running. I just think, given the comments that you and—all of you really have had, testifying about the readiness challenges, that it's incumbent on all of us to figure out how to get that reporting system done in a way that better reflects the real circumstances that you're experiencing so that Congress can better understand what's going on and, hopefully, be very responsive to that.

I just want to follow up with one more question about energy because, as I said in my opening statement, it's one of the things that has significantly affected your budgets. While over the last 10 years, there's not been much fluctuation in DOD's fuel consumption, there has been tremendous volatility in the price of—the cost of fuel. I wonder if you all could talk about the link between readiness and fuel price volatility and how—what you think is going to suffer in this budget because of the additional cost of fuel, because of the increases.

Admiral Ferguson, do you want to begin?

Admiral FERGUSON. We're very, very dependent on fuel, and we're facing a bill due to this recent price jump of about $450 million that we have to resolve. A good rule of thumb for us is, every dollar change in the price of oil is $30 million to me and my readi-

ness accounts. So, it ends up we have to curtail existing operations, start to curtail some other base operating support, and move the money within the account to cover it. We're going to be relying on a reprogramming action, I think, to cover some of these costs this year for that. But that's kind of our rule of thumb, when you see those dollar amounts change.

Senator SHAHEEN. Thank you.

General SPENCER. Senator, the Air Force uses the bulk of the fuel in the DOD, and we've done a lot of work in that area. Since 2006, we've reduced our requirement by about 12 percent, which is actually 2 percent ahead of where we thought we would be.

To sort of put a dollar on that, if we were to pay for the same amount of fuel today that we did in 2006, we're paying, now, a billion and a half less, based on those efforts. So, we've really taken a—we've gone to these metrics—for example, large airplanes, the ton-mile-per-gallon. I don't know if you've flown in a C–17 lately. I had that experience. I was up in the cockpit with the pilots, and a young—former C–17 pilot, here—and I was pleasantly surprised; as I was sitting there looking around in the cockpit, they were talking to each other about optimum fuel load, optimum speed, optimum altitude to get the best fuel efficiency. So, it is becoming a culture. We're really working hard at that.

The thing that bothers me about sequestration, frankly, is we have about 220 energy projects in our facilities, sustainment, restoration, and modernization budget, or our installation support budget, that we can't get to now because we've had to cut that account by about 50 percent, and we're only doing emergency repairs. So, that's a problem. We aren't able to now fund a lot of those energy projects that we have.

Senator SHAHEEN. Thank you.

Any—General Campbell?

General CAMPBELL. Yes, ma'am. A lot of our fuel really is embedded in our OPTEMPO, and—but, I think we will see an increase in costs for U.S. Transportation Command or secondary destination transportation costs will come up that'll impact retrograde, as well.

But, at a different level, at the tactical level, the investment that we're making in the operational energy piece—and you talked a little bit about that—whether it's battery packs or solar panels we put on soldiers to decrease the weight by 40 percent, by changing out—40 percent of the fuel we use in Afghanistan is in generators for the Army. By investing in a different type generator, by putting a different type fuel cell in at different forward operating bases, I mean, we really reduce the fuel dependability on the soldiers there. So, I think, at that level, we've been doing a lot of great work there to help out, and we'll continue to work that very hard.

Senator SHAHEEN. Thank you.

General Paxton, do you want to add anything?

General PAXTON. Yes, ma'am. It's the same thing. Because you get—fuel benefits will be seen tactically, operationally, and strategically. I mean, you'll have—you'll be able to lift more people further distances if you have less load to carry. You'll be able to have less dependency on the internal lines of communication for the amount of fuel you need to support an operation, and then you'll

have greater flexibility to move strategically. So, we all pay attention to it at all three levels.

Senator SHAHEEN. Yes. I think the story of what you all have done with addressing your fuel consumption is an amazing story that's really little known to the public, as a whole. It really provides a great model for where I think the private sector is going. They've figured out what you all have figured out, is that it's not just a cost to your bottom line, but there are other benefits, as well.

So, I hope we're going to continue to tell that story because I think it's very impressive.

So, thank you all. I don't have any further questions. Anyone else?

Thank you very much for being here. We will continue this discussion and look forward to working with you.

The hearing's adjourned.

[Questions for the record with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR KELLY A. AYOTTE

IMPACT OF FISCAL YEAR 2013 SEQUESTRATION

1. Senator AYOTTE. General Campbell, Admiral Ferguson, General Paxton, and General Spencer, due to sequestration, the Department of Defense (DOD) is faced with an immediate reduction of $41 billion for the rest of fiscal year 2013. As you have discussed in your opening statements, the immediate impact of these cuts to the readiness of your forces will be severe and long lasting, creating a bow wave of reduced readiness and increased risk for years to come. Are additional funds budgeted for fiscal year 2014 in your operation and maintenance (O&M) accounts to recover from the sequestration cuts in 2013?

General CAMPBELL. No, the fiscal year 2014 President's budget (PB) request does not contain additional funds in our accounts to recover from the sequestration cuts in 2013. We developed the fiscal year 2014 PB request prior to the start of sequestration on March 1, 2013.

Admiral FERGUSON. No. The fiscal year 2014 budget submission does not include additional funds to recover from all of the readiness impacts of sequestration in fiscal year 2013. For example, civilian furloughs, restructured ship construction, and maintenance schedules are irreversible once they are executed. Similarly, deployment schedules would preclude a fiscal year 2014 recovery of deferred fiscal year 2013 maintenance that was deferred by sequestration funding reductions. This deferred ship/aircraft maintenance will have to be funded and rescheduled at the next major maintenance availability. Recovery of this maintenance, in some cases, will take several years and could be at risk due to future funding levels.

General PAXTON. No, the Marine Corps did not budget additional funds in our operation and maintenance appropriation in fiscal year 2014 to recover from sequestration cuts in fiscal year 2013. Despite the constrained funding resulting from sequestration, the passing of H.R. 933 mitigated most of the near-term operational impacts of sequestration in fiscal year 2013. The Marine Corps will meet near-term readiness commitments for deployed and next-to-deploy forces and will continue to rebalance to the Pacific and support the Marine Rotational Force Darwin and the Unit Deployment Program.

While the Marine Corps is capable of meeting near-term readiness commitments in fiscal year 2013, we have taken risks in our long-term infrastructure sustainment and the unit readiness of our home station units. We cannot continue to sustain these levels of reductions in fiscal year 2014 without immediate impact to our deployed and next-to-deploy forces and our nondeployed crisis response forces at home.

General SPENCER. No. The Air Force submission for the fiscal year 2014 budget request was compiled prior to sequestration and did not take into account sequestration impacts on readiness caused by an approximate $3 billion reduction to critical readiness accounts in fiscal year 2013.

2. Senator AYOTTE. General Campbell, Admiral Ferguson, General Paxton, and General Spencer, how will you reverse the damage caused in these 6 months?

General CAMPBELL. The Army's fiscal year 2014 President's budget does not include all the resources needed to recover from lost readiness in fiscal year 2013. The

impact of sequestration reductions is an atrophy of readiness due to cancelled training, deferred equipment maintenance, and delayed procurements. Any new unfunded directed missions will also negatively impact our OPTEMPO accounts and our ability to build readiness for all except the top priority units of those next to deploy, rotating to Korea, or a part of the Global Response Force. Funding above the amounts requested in the fiscal year 2014 President's budget would help buy back some of the lost readiness.

The Army has significant unfunded Operation and Maintenance, Army (OMA) requirements needed to recover lost training and rebuild lost readiness. Adding funds to those OMA accounts and to procurement accounts would be a positive step toward rebuilding readiness in fiscal year 2014. This would not, however, address the need to restore the Army's base funding for Overseas Contingency Operations (OCO)-funded training, sustainment, and procurement that supported the Army at war for nearly 12 years. As more soldiers return to home stations, the restoring base funding is among the biggest challenges in an environment of continued fiscal uncertainty.

As soon as we can provide forces with the resources they need to execute their full training strategies, they will be able to progressively build readiness for a broader range of missions. It takes an Army Brigade Combat Team (BCT) approximately a full year to reset from a deployment and train-up for another mission. Even with full funding, a unit's training progression is generally linear, which limits acceleration. Units must go through the steps of building proficiency from smaller units to larger formations, from easy conditions to ambiguous or varied conditions, from basic tasks to synchronization of more complex operations. A BCT is not considered fully ready for decisive action until it has completed a training rotation at a maneuver combat training center (CTC). The Army will manage limited training assets (like CTC rotations) as best we can to support the training progression of priority units. Even with additional funding for CTC rotations, units at squad-level proficiency at the end of fiscal year 2013 would not have time to adequately prepare and benefit from a CTC rotation early in fiscal year 2014.

Admiral FERGUSON. We continuously assess the damage of sequestration to our readiness and are in the process of determining the actions necessary to recover from its impact and the associated cost; however, we will not be able to reverse all of the effects of sequestration.

For example, we cancelled the deployment of a second carrier strike group to U.S. Central Command in February and have cancelled other operational training and deployments to U.S. European Command, U.S. Pacific Command, and U.S. Southern Command. We have also reduced our parts purchases, lowering our ability to surge forces and maintain our readiness levels while deployed. Nondeployed readiness will continue to decline over the remainder of the fiscal year and can only be recovered at a higher funding level.

For our deferred maintenance, deployment and maintenance facility schedules will result in some maintenance being deferred for several years or cancelled altogether. Where possible, we will attempt to recover the most critical maintenance requirements.

Much of our reduction was focused on shore infrastructure, where we have both reduced base operating support and curtailed repairs. For example, we have deferred noncritical dredging in places such as San Diego, Pearl Harbor, Guam, and Japan. This dredging must be done in the future to maintain safe port operations, and will cost more when we do it. To remain within future budgets, other dredging projects will be deferred. This creates a continued rightward push of projects for what amounts to a one-time, nonrepeatable savings. As such, future budgets will not have the trade space available to address the readiness damage incurred. In fact, should sequestration continue and the Department is placed on a lower funding path, the readiness impacts will increase disproportionately, as shore infrastructure degrades and all the one-time cost deferments are used up.

For our acquisition programs, we have reduced quantities and deferred payment of certain program costs into fiscal year 2014. Without an increase in funding, we will see higher unit costs, lower purchase quantities, and longer time to introduce new capabilities into the fleet.

General PAXTON. Despite the constrained funding resulting from sequestration, the passing of H.R. 933 mitigated most of the near-term operational impacts of sequestration in fiscal year 2013. The Marine Corps is capable of meeting all near-term readiness commitments in fiscal year 2013; however, we have taken risks in our long-term infrastructure sustainment and the unit readiness of our home station units by incurring significant reductions in facilities sustainment.

These reductions in facilities sustainment are not sustainable and could degrade home station training and quality of life for marines and their families. As such,

the Marine Corps' facilities sustainment in fiscal year 2014 fully funds the maintenance and upkeep of our vital facilities as we continue to strive to be good stewards of the infrastructure we have.

An additional impact of sequestration and the uncertainty of the fiscal year 2013 budget during the first 6 months of the year is that the Marine Corps has been directed to furlough our civilian workforce. Although these furloughs have not yet begun, the continual uncertainty associated with lost pay damages our workforce's morale and the trust they have in the institution. This trust, once lost, cannot easily be recovered.

General SPENCER. We estimate between 3 to 6 months are needed for stood-down, combat-coded units to regain pre-sequester readiness levels. The Air Force estimates approximately a 10 percent increase in flying hours is needed in fiscal year 2014 above the current budgeted program for these stood-down units. In addition, there are weapon system sustainment costs and a multi-year recovery period from the bow wave created in fiscal year 2013.

3. Senator AYOTTE. General Campbell, Admiral Ferguson, General Paxton, and General Spencer, how does this affect the risk to our military members?

General CAMPBELL. Fiscal year 2013 budget uncertainty has delayed the Army's ability to refocus the training of contingency forces on conventional threats and required the Army to accept risk in meeting force deployment timelines in Combatant Commander Operational Plans. Only units with high-priority missions are able to fully prepare. Lower priority units will not be able to fully execute broader-focused training strategies since they must constrain training activity to the squad/crew/team level. These forces will require additional time to prepare for an unforeseen contingency, or will have to be deployed at less than full effectiveness. If units are deployed before being fully trained, operational commanders will have to use all available time to continue to prepare and assess whether mission requirements warrant the risks of force employment or offer alternatives. All military members would, however, have the personal skills needed to protect themselves with their individual weapon and equipment within context of any operation.

Admiral FERGUSON. In the near term, the fiscal year 2013 sequestration has impacted our ability to train our people, maintain our existing force structure, and invest in future capability and capacity. While we have made every effort to protect family and sailor programs, these programs will be affected through reduced operating hours and availability of support.

In addition to reducing the readiness levels of our nondeployed forces and bases, sequestration will mean lower levels of training and maintenance. It will place a premium on safety and risk management, as our sailors are asked to do more with resources that are being stretched and with less operational proficiency. We will carefully monitor the safety performance of the force to minimize risk.

Over the long term, sequestration presents additional risk with respect to the capability of the force and its operational proficiency.

General PAXTON. Despite the constrained funding from sequestration, the passing of H.R. 933 mitigated most of the near-term operational impacts of sequestration in fiscal year 2013; the Marine Corps will meet near-term readiness commitments for deployed and next-to-deploy forces. In order to meet these commitments, the Marine Corps has been forced to reduce other accounts such as long-term infrastructure sustainment, Warrior and Family Support programs, and civilian personnel funding.

The Marine Corps has taken risk in our long-term infrastructure sustainment by incurring significant reductions in facilities sustainment and thus degrades unit readiness of our home station units. Reductions in facilities sustainment are not sustainable in the long-term and will degrade home station training and quality of life for marines and their families.

Although Warrior and Family Support Programs will be protected to the greatest extent feasible, the long-term effects of sequestration will impact these programs. The Marine Corps' approach to sequestration cuts will be focused on preserving programs that support the health and welfare of our marines, including the Wounded Warrior Regiment and Combat Operational Stress Control for those returning from Afghanistan. We will prioritize our resources to ensure we maintain these programs while taking risk in lower priority programs, such as our leisure and recreation programs.

As a result of sequestration, the Secretary of Defense has directed implementation of up to 11 days of furlough, which will have a significant impact on not only the affected employees and their families, but also to uniformed marines and overall readiness of the Marine Corps. The impact of an 11 workday furlough in the final quarter of this fiscal year will result in an approximate 20 percent pay reduction

for affected employees and a commensurate reduction in work. Of our civilian marines, 68 percent are veterans that have chosen to continue to serve our Nation, and of those, 16 percent have a certified disability. As a result of this loss of income, employee stress will increase, morale will decline, productivity will suffer, and the burden on military personnel will increase—all of which translates to reduced readiness.

Civilian furloughs will also impact the Marine Corps bases and stations with a commensurate reduction in services to our personnel, as these civilians provide critical functions that support our marines, sailors, and their families. With a ratio of 1 civilian to every 10 marines, the Marine Corps already maintains the leanest civilian workforce—each of these civilians are an integral part of our total workforce. Ninety-five percent of civilian marines work outside the headquarters and support critical missions at our depots, bases, and stations in a multitude of roles that serve our active duty personnel and their families. Missions such as depot maintenance and training range operations directly support the warfighter and the Marine Corps' mission to provide the best-trained and -equipped marines.

Sequestration's impacts include degradation to infrastructure sustainment, Warrior and Family Support Programs, and civilian Marine contributions due to furloughs—all of which affects our All-Volunteer Force and reduces readiness.

General SPENCER. Sequestration diminishes ready forces for steady state and emergent requirements. Sequestration has introduced heightened risk to current and emergent missions due to fewer trained and ready aircrew, maintenance, and support personnel.

4. Senator AYOTTE. General Campbell, Admiral Ferguson, General Paxton, and General Spencer, do you believe your Service will have the opportunity to advocate for a higher budget in fiscal year 2015, if the impacts to readiness from sequestration become too severe?

General CAMPBELL. We expect we will have an opportunity to advocate for a higher budget in fiscal year 2015 informed by fiscal year 2013 and fiscal year 2014 sequestration readiness impacts and DOD Strategic Choices Management Review (SCMR). However, as an Army, we share the sacrifice of all Americans during this period of fiscal uncertainty and must shape the Army of 2020 with an understanding of both our national security obligations and the fiscal constraints we all share.

Admiral FERGUSON. We will articulate the funding requirements necessary to meet the National Defense Strategy and to meet the readiness requirements of the force. Our planning and recommendations must be informed by the discretionary budget caps enacted into law.

General PAXTON. The fiscal year 2015 budget is still under development; however, given current expectations the Budget Control Act caps will remain in place during coming fiscal years, it is unrealistic to expect larger budgets in the out-years.

General SPENCER. While the Air Force has made every effort to minimize impacts to readiness and people, the bow-wave of reductions, deferments, and cancelations will challenge the strategic choices made in the fiscal year 2014 request.

The exact impact of sequestration on readiness in fiscal year 2014 and beyond is still being assessed. We do know that more reductions will drive additional risks to our readiness, force structure, and ability to modernize our aging aircraft inventory. As we navigate the uncertain way ahead, we will continue to work with Congress.

CIVILIAN FURLOUGHS

5. Senator AYOTTE. General Campbell, Admiral Ferguson, General Paxton, and General Spencer, as you may know, many of us in the Senate tried for more than a year to get firm details on the impact of defense sequestration with little cooperation from the administration. Now that we are experiencing sequestration, there is still some uncertainty regarding the real effects, including the need to furlough civilian employees. Not only do furloughs put our skilled DOD civilians in a difficult financial position, but I am concerned that furloughs will inflict serious damage to our military readiness. What would be the readiness impact of furloughs on your Service?

General CAMPBELL. Civilian furloughs will impact the training capability at the Army's training institutions. Most U.S. Army Training and Doctrine Command (TRADOC) and non-TRADOC schools use Department of the Army civilians as instructors and their absence will require the training institutions to implement less than optimal training alternatives, in part all or in. These alternatives could include extending the program of instruction time period and creating a student throughput

delay or backlog, or accepting risk in training standards. Degraded administrative support such as resource management, quality assurance, and course program management may cause a disruption to student services. Furloughs will also degrade the capability to provide development of doctrine, training, concepts, and requirements determination.

Civilian furloughs will impact Army training support system capabilities as well. Maintaining training support, range operations, and airfield operation capabilities will require qualified borrowed military manpower to replace DA civilian shortfalls. Some of these training support capabilities include the use and/or maintenance of simulators (flight and ground vehicle, weapon, tactical, etc.), distributed learning facilities, and training aids, devices, and simulations, for which soldiers are not normally trained in their Military Occupational Specialty (MOS) to use or maintain. Furloughs limit Army civilians available to offset reductions as incremental funding of Mission Command Training contracts reduce workforce available to support units' preparations for future training exercises.

The impact on Combat Training Center (CTC) rotations is expected to be manageable. All CTCs will work with their respective DA civilians to schedule furloughs around CTC rotations. This will ensure training units are adequately supported while at the CTCs. Currently there are 842 DA civilians working at the 4 different CTCs. The primary effect of furloughs will be a reduction in the ability of the CTC staff to react to changes during a rotation. While uniformed personnel can, in many cases, cover down on a furloughed civilian position, the military personnel often lack the technical expertise or required certifications necessary to perform certain tasks expeditiously. Furloughing civilian employees at our organic depots and arsenals will slow production, increase repair cycle time, and potentially result in increased carryover.

Admiral FERGUSON. Furloughs, combined with the ongoing hiring freeze and overtime restrictions, will have an extended impact on Fleet maintenance capacity. Over time, it is our assessment furloughs will impact the morale of our civilian workforce, our ability to retain that workforce, and our ability to recruit new skilled workers into Federal service.

Specifically, the combination of the civilian hiring freeze, overtime restrictions, and 11 furlough days at the aviation depots is expected to delay the delivery of approximately 66 aircraft and 370 engines and modules from fiscal year 2013 into fiscal year 2014. Recovery of the delayed work will drive additional unbudgeted costs.

The naval shipyards have been exempted from the furlough but capacity is still being impacted by overtime restrictions and the hiring freeze. This capacity reduction will result in maintenance availability completion delays.

If the hiring freeze continues through the end of fiscal year 2013 it will prevent the naval shipyards from hiring approximately 1,030 production artisans and engineers. Fiscal year 2013 capacity would be reduced by 87,000 mandays, resulting in a 2 month delay for 1 aircraft carrier maintenance availability; a 2 month delay for 1 ballistic missile submarine maintenance availability; and a total of 8 months delay for 2 fast attack submarine maintenance availabilities.

General PAXTON. The full impact of civilian furloughs has yet to be determined since they are not scheduled to begin until July 8, 2013. However, once furloughs are implemented, it is expected that the lost days of labor from our civilian marine workforce will begin to affect overall Marine Corps readiness in the last quarter of fiscal year 2013. Furloughs will not only affect the overall readiness of the total force in terms of morale, stress, and quality, it could more specifically cause undue and immeasurable readiness impacts to organizations and entities that rely heavily on civilian workforces to complete their mission.

Civilian marines comprise the leanest appropriated funded civilian workforce within DOD, with only 1 civilian for every 10 marines. Less than 5 percent of civilian marines work at the Headquarters elements in the Pentagon; most work at bases, stations, depots, and installations. Veterans comprise 68 percent of civilian marines and 13 percent of these veterans have a certified disability. Many civilian marines, who have already gone 3 years without salary increases, will not be able to easily absorb the loss of income from furloughs. Prolonged budgetary uncertainty extending into fiscal year 2014—regarding furloughs—will increase employee stress, reduce morale, and could be detrimental to retaining quality civilian personnel.

As mentioned, the effect on organizations and entities that rely on a proportionally heavy civilian workforce may be significant. For instance, productivity at maintenance depots and Fleet Readiness Centers (FRCs) will suffer because of reduced labor hours. Approximately 20 percent of the remaining fiscal year 2013 depot and FRC organic capacities will be lost, resulting in requirements to shift post-combat reset workload completions into fiscal year 2014 and beyond. Equipment shortages are the biggest readiness detractors for the Corps and furloughs will exacerbate that

problem. Aviation readiness is already decremented due to aircraft, engines, and components awaiting depot work. The furlough of civilian employees at FRCs is anticipated to create up to a 1-month delay for aircraft, engine, and component deliveries in the remainder of fiscal year 2013. These delays would affect the aircraft materiel readiness condition and availability for training of F/A–18, AV–8B, CH–53E, MV–22B, AH–1, and UH–1 aircraft. Should civilian furloughs continue into fiscal year 2014, the impacts would be extended across the operating forces, Reserves, and the supporting establishment. The impacts to depots and FRCs will result in deferred inductions, degraded overall materiel condition, reduced aircraft and equipment availability for training, and increased risk to safety and combat readiness. Units with aircraft inducted into the maintenance cycle would be impacted first, followed by training and operational units that would be forced to defer maintenance actions and training and readiness requirements that are imperative to producing qualified aircrews and being deployment-ready.

General SPENCER. The Air Force is comprised of over 170,000 civilian employees (one third of the entire Air Force) with the vast majority currently expecting to be impacted by furloughs. The entire Air Force will be affected. The most significant impact will be felt in those areas that rely primarily on civilians. For example, the depot workforce is 77 percent civilian, and the depot role is vital to aircraft sustainment and modernization. Civilians also contribute invaluable expertise in the staffs at major commands and headquarters and their absence will further increase the workload on our uniformed force.

6. Senator AYOTTE. General Campbell, Admiral Ferguson, General Paxton, and General Spencer, what will be the impact to the morale of our civilian employees?

General CAMPBELL. On January 10, 2013, the Deputy Secretary of Defense directed the components to take necessary steps to mitigate the impact of a financial shortfall, which resulted in an immediate freeze on civilian hiring. Not only does this freeze hinder the civilians' ability to support the soldier and the mission, it also limits the promotional opportunities for our workforce. The Army has also released temporary employees and allowed term appointments to expire, which only places increased workload and demands on our existing workforce. These actions, in addition to the continued freeze on civilian pay, the limitations placed on overtime, the discontinuance of monetary awards, and the implementation of furlough are having significant impact on the morale of our civilian workforce, particularly because it impacts their financial stability.

All of these actions are a reflection of budgetary constraints and in no way reflect the outstanding quality and performance of the Army civilian professionalism.

Admiral FERGUSON. Furloughs present an immediate challenge to our workforce in terms of morale, retention, and recruiting. Navy civilians enable the Navy and Marine Corps team to operate forward around the globe, as the majority directly supports the readiness of our force. DOD will execute up to 88 hours, or approximately 11 furlough days, by the end of the fiscal year. Civilian employees will incur a 20 percent reduction in their pay due to the furlough. In addition to previous pay freezes, this adversely affects morale, will likely result in recruiting and retention challenges of skilled personnel in the future, and will impact the performance of the workforce overall. Through exemptions and other actions, we have attempted to reduce the impacts to readiness and operations where possible and consistent with DOD policy.

General PAXTON. Our civilian marines support the mission and daily functions of the Marine Corps and are an integral part of our Total Force. Serving alongside our marines throughout the world, in every occupation and at every level, our civilian appropriated funded workforce remains the leanest of all Services, with a ratio of 1 civilian to every 10 active duty marines. More than 93 percent of our civilians do not work in Headquarters' elements in the Pentagon; they are at our bases, stations, depots, and installations. Sixty-eight percent are veterans who have chosen to continue to serve our Nation; of those, a full 13 percent have a certified disability.

The potential human impact associated with furloughing our civilian marines is significant. While we would like to believe that a discontinuous furlough will reduce the impact on our employees, most will not be able to easily absorb this sudden loss of income, even over a period of several months. With prolonged budgetary uncertainty, including the possibility of additional furloughs in fiscal year 2014, employee stress is increasing, civilian morale is declining, and at some point productivity will begin to suffer.

General SPENCER. We have a dedicated and professional civilian force that serves our Nation proudly. However, our civilian employees are concerned about lost pay due to the furlough and potential future reductions due to sustained budget cuts; all of this negatively impacts the morale of our civilian airmen.

7. Senator AYOTTE. General Campbell, Admiral Ferguson, General Paxton, and General Spencer, within your current budget constraints, could your Service find a way to avoid civilian furloughs without taking unacceptable risks in other budget areas?

General CAMPBELL. The current budget constraints do not permit us to avoid a civilian furlough without taking unacceptable risks in readiness. From the outset of the budgetary uncertainty, the Army identified significant shortfalls in its OMA account. The shortfalls were due to the effect of the Continuing Resolution, the impact of sequestration, and the higher than expected costs related to Operation Enduring Freedom.

On March 1, sequestration went into effect across the Federal Government. DOD's budget was reduced by $37 billion, including $20 billion in the O&M accounts that pay many of our civilian workers.

Because our wartime budget is also subject to sequestration, we must utilize funds originally budgeted for other purposes in order to provide troops at war with every resource they need. These factors lead to a shortfall in all Defense O&M accounts of more than $30 billion—a level that exceeds 15 percent of the DOD budget request, with fewer than 6 months left in the fiscal year in which to accommodate this dramatic reduction in available resources. At this time, we simply do not have a lot of flexibility to account for the large shortfalls in O&M dollars. However, we will continue to closely monitor funding for the remainder of the fiscal year, and if the funding situation permits, we will avoid or end furloughs.

Admiral FERGUSON. Yes. The Department of the Navy presented fiscal options to avoid the necessity of furloughs for the Navy and Marine Corps. These options were considered but not authorized by DOD.

General PAXTON. Given current funding levels, the Marine Corps could avoid civilian furloughs. However, because of the overall funding deficiencies of DOD, the Secretary of Defense has directed implementation of furloughs. Implementing furloughs will have a significant impact to Marine Corps readiness.

General SPENCER. There are limited options to absorb sequestration reductions of this magnitude during the year of execution. The Air Force has maximized every option to minimize the risk to readiness which includes our civilians. The Air Force is highly leveraged and furloughing our civilians is not a desirable option, but unfortunately necessary.

8. Senator AYOTTE. General Campbell, Admiral Ferguson, General Paxton, and General Spencer, what is the total projected savings in 2013 for your Service for both a 14-day and a 7-day furlough, and could that savings be found elsewhere?

General CAMPBELL. Based our current estimates we believe that we could save approximately $726.5 million across all appropriations with a 14-day furlough. If we are directed to reduce the number of furlough days to 7, our savings would be reduced to approximately $363.3 million. Continuing to reduce the number of furlough days will force us to assume increasing risk in other parts of the budget, such as taking further reductions to unit training or reducing services our installations provide to our soldiers and their families. This would also be on top of the emerging OCOs shortfall of approximately $8.3 billion with which we are currently grappling. We planned to use the furlough as a tool of last resort, and I think we have reached that point. We could find the savings elsewhere, but based on Army priorities, that would force us to assume additional and unacceptable risk in our readiness accounts, further affecting our ability to provide ready forces in the case of emerging contingencies.

Admiral FERGUSON. The most current estimates of projected savings are for the 11-day furlough announced by the Secretary of Defense on 14 May 2013. Estimated savings in Operation and Maintenance, Navy and Operation and Maintenance, Navy Reserve are approximately $130 million and $2 million, respectively.

For Navy, savings could be found elsewhere within the Department of the Navy. However, Department-wide civilian furloughs were directed on 14 May 2013 to prioritize military missions and minimize adverse mission effects, and subject to that criterion, to ensure reasonable consistency and fairness across the Department.

General PAXTON. Per the letter dated 14 May 2013, the Secretary of Defense has directed up to 11 days of furlough for all DOD civilian employees with limited exceptions. The Marine Corps projects the savings from an 11-day furlough to be approximately $58 million and will implement furloughs as directed. The passage of H.R. 933 helped mitigate some of the near-term impacts of sequestration. Consequently, the Marine Corps could prioritize its available funding to meet near-term readiness commitments for deployed and next-to-deploy forces, while taking risk in other areas to otherwise find the $58 million that would be made available by furlough.

SECRETARY OF DEFENSE
1000 DEFENSE PENTAGON
WASHINGTON, DC 20301-1000

MAY 14 2013

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
DEPUTY CHIEF MANAGEMENT OFFICER
CHIEFS OF THE MILITARY SERVICES
COMMANDERS OF THE COMBATANT COMMANDS
CHIEF OF THE NATIONAL GUARD BUREAU
DIRECTOR, COST ASSESSMENT AND PROGRAM EVALUATION
DIRECTOR, OPERATIONAL TEST AND EVALUATION
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
ASSISTANT SECRETARIES OF DEFENSE
DEPARTMENT OF DEFENSE CHIEF INFORMATION OFFICER
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTOR, NET ASSESSMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Furloughs

This memo directs defense managers to prepare to furlough most Department of Defense (DoD) civilians for up to 11 days. The schedule for furloughs, and some specific exceptions, are described later in this memo and in the attachment. I have made this decision very reluctantly, because I know that the furloughs will disrupt lives and impact DoD operations. I, along with the senior civilian and military leadership of the Department, have spent considerable time reviewing information related to the need for furloughs, and I would like to share with you the reasoning that led me to this difficult decision.

Major budgetary shortfalls drove the basic furlough decision. On March 1, sequestration went into effect across the federal government. DoD's budget for FY 2013 was reduced by $37 billion, including $20 billion in the operation and maintenance (O&M) accounts that pay many of our civilian workers. In addition, because our wartime budget is also subject to sequestration, we must utilize funds originally budgeted for other purposes in order to provide our troops at war with every resource they need. To compound our problems, when we estimated future wartime operating costs more than a year ago, we planned on fuel costs below what we are currently experiencing. Taken together, all these factors lead to a shortfall in our O&M accounts of more than $30 billion – a level that exceeds 15 percent of our budget request, with fewer than six months left in the fiscal year in which to accommodate this dramatic reduction in available resources.

We are taking actions to reduce this shortfall. One main priority has governed our decisions: to minimize the adverse effects on our military mission, including military readiness. With this in mind, early this calendar year we cut back sharply on facilities maintenance and worked to hold down base operating costs -- decisions we knew would build a backlog of maintenance and adversely affect our bases. We are also preparing a request to Congress that would permit us to shift some funding from investment and military personnel accounts into the O&M accounts. If approved by Congress, this initiative – known as a reprogramming – would help close the gap.

But these actions are not enough. We have begun making sharp cuts in the training and maintenance of our operating forces – cutbacks that are seriously harming military readiness. The Army, for example, has terminated most remaining FY 2013 training rotations at its combat training centers. The Air Force has or soon will stop all flying at about one-third of its combat-coded squadrons in the active forces. The Navy and Marine Corps are cutting back on training and on deployments – including a decision not to send a second carrier strike group to the Gulf. These are only a few of the many cutbacks we have made in training and maintenance. These actions reduce our ability to handle future military contingency needs, both this year and in subsequent years.

Even after taking all these actions, we are still short of needed operating funds for FY 2013, and we cannot rule out unexpected increases in costs during the next few months. So we confront a difficult set of trade offs. We can make even larger cutbacks in training and maintenance, further reducing readiness to handle contingency operations and putting into even greater jeopardy our military readiness in future fiscal years. Alternatively, we can furlough civilian personnel to help close the gap and, knowing that morale, productivity and readiness would be affected. This is an unpleasant set of choices, but this is the situation we face.

Before making a decision, I sought advice and inputs from senior leaders in the military departments and agencies as well as advice from my senior civilian and military staff. I asked them to keep in mind our fundamental criterion to minimize adverse mission effects and, subject to that criterion, to ensure reasonable consistency and fairness across the Department for any furloughs that we impose.

Based on all these inputs, I have decided to direct furloughs of up to 11 days for most of the Department's civilian personnel. Furloughs for up to 11 days represent about half of the 22 days that can legally be imposed in a year and also about half the number we had originally planned. This halving of previous furlough plans reflects vigorous efforts to meet our budgetary shortfalls through actions other than furloughs as well as Congressional passage of an appropriations bill in late March that reduced the shortfalls in our operating budget and expectations of Congressional action on our reprogramming request.

Furloughs will be imposed in every military department as well as almost every agency and in our working capital funds. All of our civilian employees are important, and I would prefer not to furlough any of them. However, there will only be limited exceptions driven by law and by the need to minimize harm to mission execution. We will except civilians deployed to combat zones and civilians necessary to protect life and property (but only to the extent needed to provide that protection). A few categories of workers will be excepted for specific mission reasons while some categories of workers will be excepted because furloughing them would not

free up money for critical DoD mission needs. The attachment provides details regarding approved exceptions. Fewer than one fifth of all civilians paid with appropriated funds will be excepted from furloughs.

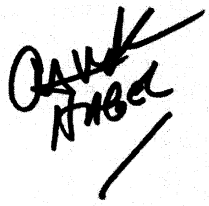
The planning and implementation of furloughs will be carried out based on the schedule below:

- May 28 - June 5: Furlough proposal notices will be served to individual employees subject to furloughs.
- June 4 - June 12: Individual employee reply periods end 7 calendar days from when the proposal was received, unless Component procedures allow for a different reply period.
- June 5 - July 5: Furlough decision letters will be served to individual employees subject to furloughs, depending on when the proposal was received and prior to the first day of furlough.
- July 8: Furlough period begins no earlier than this date.

We will begin furloughs on July 8 at the rate of 1 furlough day per week for most personnel. For now, we plan to continue furloughs through the end of FY 2013. That schedule would lead to 11 furlough days – one fifth of the week for about one quarter of the year. Moreover, I am directing all components to monitor funding closely for the remainder of FY 2013. If our budgetary situation permits us to end furloughs early, I would strongly prefer to do so. That is a decision I will make later in the year.

Consistent with this memo and with applicable laws and rules, commanders and managers will have the authority to develop the specifics of furlough procedures in order to minimize adverse mission effects and also limit the harm to morale and productivity. Further bargaining with unions may also be required. The Under Secretary for Personnel and Readiness has already issued guidance as appropriate regarding personnel and union issues related to furloughs and will issue additional guidance as needed. Overall coordination of sequester and furlough policies will be the responsibility of the Under Secretary of Defense (Comptroller).

Each of the Department's civilian employees makes an important contribution to the readiness of our Department to meet the nation's national security needs. I understand that the decision to impose furloughs imposes financial burdens on our valued employees, harms overall morale, and corrodes the long-term ability of the Department to carry out the national defense mission. I deeply regret this decision. I will continue to urge that our nation's leaders reach an agreement to reduce the deficit and de-trigger sequestration. If no agreement is reached, I will continue to look for ways to limit the adverse effects of sequestration and associated budgetary shortfalls both on the men and women of the Department of Defense, and on our national defense.



Attachment:
As stated.

Department of Defense Furlough Exceptions

This attachment provides Components with final dispositions on categorical exceptions to the Department of Defense (DoD) plan to furlough civilian employees for a maximum of 88 hours or 11 discontinuous workdays because of the current financial crisis caused by a sequestration for Fiscal Year (FY) 2013, increased costs for ongoing Overseas Contingency Operations, and other emerging requirements. In order to minimize adverse effects on mission, employees in the following categories are excepted from furlough for the reasons noted:

a) In order to avoid harm to war efforts, all employees deployed (in a Temporary Duty status) or temporarily assigned (to include Temporary Change of Station) to a combat zone (as defined in notes below) are excepted from furlough.

b) In order to avoid harm to mission, those employees necessary to protect safety of life and property are excepted to the extent necessary to protect life and property. This includes selected medical personnel. Later portions of this attachment provide details.

c) Employees in Navy shipyards will be excepted from furlough because it would be particularly difficult to make up delays in maintenance work on nuclear vessels and these vessels are critical to mission success. All other depot employees, whether mission-funded or working capital fund employees, will be subject to furlough.

d) Furloughs for employees funded with National Intelligence Program (NIP) funds will be determined by the Director of National Intelligence. Employees funded with Military Intelligence Program (MIP) funds will be subject to furlough.

e) Because there would be no savings, Foreign Military Sales (FMS) employees whose positions are exclusively funded from FMS Administrative and FMS case funds (case number may be required to validate funding source) and from Foreign Military Financing accounts are excepted from furlough. Furloughing employees in this category would not reduce the expenditure of DoD budgetary resources and so would not assist in meeting sequestration reductions. The FMS case-funded positions funded in whole or part by DoD appropriations (to include "pseudo-FMS" cases) are subject to furlough.

f) By law, all individuals appointed by the President, with Senate confirmation, who are not covered by the leave system in title 5, U.S. Code, chapter 63, or an equivalent formal leave system, are excepted from furlough.

g) All employees funded by non-appropriated funds (NAF) [1] (regardless of source of NAF funding) are excepted from furlough. Furloughing employees in this category would not reduce the DoD budget and so would not assist in meeting sequestration reductions.

h) All Outside Contiguous United States foreign national employees, many of whom are subject to Status of Forces Agreements, are excepted from furlough because their situation vary greatly by country/region and because, in some cases, they are paid by host governments.

[1] NAF employees are not covered by the requirements and procedures applicable to furloughs of appropriated fund employees under FY13 sequestration. However, NAF employees may be furloughed under DoD NAF and Component policies and procedures for business-based reasons.

i) Any employees who are not paid directly by accounts included in the Department of Defense-Military (subfunction 051) budget are excepted from furlough. For example, this would include employees funded by the Arlington National Cemetery (705 function) and DoD Civil Works (various non-051 functions) programs. These exceptions have been identified by the Components. Furloughing these employees would not reduce the expenditure of DoD budgetary resources and so would not assist in meeting sequestration reductions.

The following portion of this document provides the definitive list of additional approved exceptions beyond those listed in the preceding paragraph. The exceptions approved for the safety of life and protection of property category are granted with the understanding that these are the minimum exceptions needed to maintain operations and provide security on a 24/7 basis and that furloughing these employees would result in the Department incurring additional costs for premium pay. Similarly, the exceptions for the medical category are approved with the understanding these exceptions preserve the minimum level of personnel needed to maintain quality of care in 24/7 emergency rooms and other critical care areas such as behavioral health, wounded warrior support, and disability evaluation. Furloughing these employees would result in unacceptable care being provided, and the Department would incur increased costs for premium pay or TRICARE. The exception for Child Development Centers is granted with the understanding that this is the minimum level needed to maintain accreditation and maintain quality care for children in military families. Some Department of Defense Education Activity employees, while not excepted from furlough, may only be furloughed when they are in a pay status. Therefore, they will only be subject to furlough for up to five days at the beginning of the 2013 school year.

Recognizing that circumstances can change in this dynamic environment, the Secretaries of the Military Departments, and the Principal Staff Assistants for the Defense Agencies and Field Activities, may approve up to 50 additional individual, mission-based, exceptions as needed to ensure safe and efficient operations of their respective Departments. Any such exception must be reported to the Acting Under Secretary of Defense (USD) for Personnel and Readiness and the USD Comptroller. There are no other approved exceptions provided based on the Components' submissions. Furlough proposal notices should be issued to all impacted employees beginning May 28, 2013.

Relative to the review and decision on individual employee requests for exception, per guidance issued via the Principal Deputy Assistant Secretary of Defense, Readiness and Force Management, memorandum, dated March 13, 2013, activities should designate the Deciding Official. The designated Deciding Official will be no lower than a local Installation Commander, senior civilian or equivalent who would be in the best position to determine the fair and equitable application of the furlough. Deciding Official responsibilities may not be further delegated. Deciding Officials are charged with, and are accountable for, making final decisions on furloughs for individual employees after carefully considering the employee's reply, if any, and the needs of the Department. Deciding Officials must also ensure they make final decisions in cases where an employee does not submit a reply. Deciding Officials will have the authority to execute the full range of options with respect to providing relief in individual employee cases. This authority includes, but is not limited to, reducing the number of days/hours an individual employee is furloughed, or granting the individual employee an exception from the furlough altogether.

Component	Safety of Life & Property	Medical Personnel	Others	Comments
DoN	7,543	1,418	212 CIVPERS at Sea	CIVPERS deployed at sea are subject to furlough upon return from deployment
			4,712 CIVMARS	CIVMARS are subject to furlough upon return from deployment
			514 Appropriated Fund (APF) Child Development Centers (CDCs)	Maintain safety standards and quality of care
			15	Support to classified programs
			28,000	Shipyard Workers, General
			1,657	Shipyard Workers, Nuclear and Naval Reactors Staff
USA	263	Up to 6,600	555 APF CDC Employees	Maintain safety standards and quality of care
			75	ARNG Dual Status Technicians for Alerts, Firefighting, Personnel Recovery and other missions
			17	Support to classified programs
			257	Non-immigrant employees requiring H-1B visas at Defense Language Institute

Component	Safety of Life & Property	Medical Personnel	Others	Comments
USAF	933	410	62	Support to classified programs
			1,123	ANG Dual Status Technicians for Alerts, Firefighting, Personnel Recovery and other missions
			30 Students	Intel School & FLETC
			94 Multi-IOC 24/7 Plant Operators	Heating/Waste Water Plant minimum safe manning
			2	Contingency Planners
			3	Special Law Enforcement Pay
			1,634 APF CDCs	Maintain safety standards and quality of care
DLA	363			
DA&M	623			546 are from the Pentagon Force Protection Agency; the remaining 77 are Washington Headquarters Services for Pentagon safety and emergency communications. Most will be furloughed fewer than 11 days due to the need to maintain operations and security 24/7.
US Court of Appeals for Armed Services			59	The Chief Judge will decide how many days to furlough employees, if at all.
JTFCAPMED		368		165 @ Walter Reed 203 @ Fort Belvoir

Component	Safety of Life & Property	Medical Personnel	Others	Comments
USUHS	22		5	Animal Husbandry Technicians Non-immigrant employees requiring H-1B visas
Office of the Military Commissions – Defense Legal Services Agency			9	Civilian Trial Practitioners
Department of Defense Education Activity (DoDEA)			10,950	9-month DoDEA employees, which includes teachers, educational aids, and support staff may only be furloughed for up to 5 days at the beginning of the 2013 school year.
DCAA			1	Non-immigrant employees requiring H-1B visa

Notes:

1. Safety of life and property exceptions are based on need for 24/7 coverage in most instances. It is expected all Components will furlough for less than 88 hours in these areas where feasible.

2. Individuals for whom law enforcement premium pay would result in no loss of pay if furloughed will be excepted from the furlough.

3. 20 CFR 655.731 requires that the employer of a H-1B non-immigrant who is not performing work and is placed in a nonproductive status due to a decision by the employer (e.g., placed in a non-pay/non-duty status due to administrative furlough) pay the salaried employee the full pro-rata amount due, or to pay the hourly-wage employee for a full-time week (40 hours or such other number of hours as the employer can demonstrate to be full-time employment for hourly employees, or the full amount of the weekly salary for salaried employees) at the required wage for the occupation.

1. References.

a) Title 26, U.S. Code, Section 112, Certain combat zone compensation of members of the Armed Forces

b) Executive Order 12744, January 21, 1991

c) Executive Order 13119, April 13, 1999

d) Executive Order 13239, December 12, 2001

e) Public Law 104-117, To provide that members of the Armed Forces performing services for peacekeeping efforts in Bosnia and Herzegovina, Croatia, and Macedonia shall be entitled to tax benefits in the same manner as if such services were performed in a combat zone.

2. The following locations are designated as "Combat Zones" by law, Presidential Executive Order or by DoD certification that members of the Armed Forces serving in such locations are serving in direct support of military operations in a combat zone:

Countries:

Afghanistan (EO 13239)

Albania (EO 13119)

Bahrain (EO 12744)

Bosnia (PL 104-117)

Djibouti (DoD certification)

Iraq (EO 12744)

Kuwait (EO 12744)

Macedonia (PL 104-1170)

Oman (EO 12744)

Philippines (Only troops with orders referencing Operation Enduring Freedom) (DoD certification)

Saudi Arabia (EO 12744)

Somalia (DoD certification)

United Arab Emirates (EO 12744)

Uzbekistan (DoD certification)

Yemen (DoD certification)

Croatia (PL 104-117)

Herzegovina (PL 104-117)

Jordan (DoD certification)

Kyrgyzstan (DoD certification)

Montenegro (EO 13119)

Pakistan (DoD certification)

Qatar (EO 12744)

Serbia (includes Kosovo) (EO 13119)

Tajikistan (DoD certification)

Sea Areas:

Adriatic Sea (EO 13119)	That portion of the Arabian Sea that lies north of 10 degrees north latitude, and west of 68 degrees east longitude (EO 12744)
Gulf of Aden (EO 12744)	Gulf of Oman (EO 12744)
Ionian Sea north of the 39th Parallel (EO 13119)	Persian Gulf (EO 12744)
Red Sea (EO 12744)	

3. Adherence to the following principles ensures consistency in applying the "deployed to combat zone" exemption to civilian employees in the context of the administrative furlough:

a) "Deployed civilian" is defined as a civilian employee who is deployed (in temporary duty (TDY) status) or temporarily assigned (to include temporary change of station (TCS)) to a "combat zone" as set forth above.

b) "Combat zone" is defined as those locations listed as combat zones in Executive Orders 12744, 13119 or 13239 and locations where military are eligible for combat zone tax benefits under law or because DoD has certified that they are providing direct support to military operations.

c) A "deployed civilian's" period of deployment includes time spent in attendance at mandatory pre-deployment training as well as in completing mandatory post-deployment requirements.

d) A civilian employee who was deployed to a combat zone but redeploys mid-way through the furlough period will receive a notice of proposed furlough upon return to their parent organization and prior to any furlough. Further, the number of hours for which the employee will be furloughed will be pro-rated.

General SPENCER. The savings associated with furlough are $409 million for 14 days and $205 million for 7 days.

The Air Force has taken every action to live within our reduced top line and reduce the adverse impact sequestration is having on readiness. The Air Force has stood down flying squadrons to include one-third of combat coded squadrons, deferred depot inductions, and deferred critical facility projects as well as implemented a hiring freeze. Unfortunately, after taking all these actions, we still had to make the extremely difficult decision to furlough civilians for 11 days.

LONG-TERM IMPACTS FROM SEQUESTRATION

9. Senator AYOTTE. General Campbell, Admiral Ferguson, General Paxton, and General Spencer, the President's budget for fiscal year 2014 does not take into con-

sideration the potential impact of the sequestration of $53 billion to defense accounts in 2014. What is your assessment regarding the readiness impact of a continuation of sequestration in 2014?

General CAMPBELL. If sequestration continues into fiscal year 2014, the Army will potentially have to reduce the ground OPTEMPO and flying hour programs. This can impact the Army's ability to provide units trained for decisive action by limiting the training events at home stations and combat training centers. Less training will reduce required repairs of depot level reparable components and the workforce required to make those repairs. The Army may curtail units scheduled to train at the combat training centers or send only portions of those units, limiting the benefits of world class opposing forces, after action reviews by observer controllers, and an operational environment with training in multiple environments against hybrid threats. The Army will be challenged to prepare for a variety of contingencies and may require more time to prepare forces for deployment.

Potential reductions could also impact the Army's ability to execute home station individual and collective gunnery training by limiting the availability of ranges and deferring replacement of damaged targets. Range modernization efforts may be impacted as several projects will not have unexploded ordnance clearance completed. Reduced mission training complex capabilities will limit battalion, brigade, division and corps staff proficiency on their mission command systems in a realistic environment. Training support centers may not be able to provide instructor/operator support for numerous complex virtual trainers, including flight simulators and medical simulation training.

Potential reductions may impact the Army's institutional training capability to conduct Initial Military Training and critical functional skills training. This could result in a backlog of recruits awaiting training at the institutional training base. Soldiers may not receive duty-specific skill training required by the soldier's unit, thus contributing to degraded unit readiness. Additionally, funding reductions may impact the Army's ability to develop agile and adaptive leaders by reducing the opportunities for Professional Military Education.

Significant reductions to training accounts will reduce jobs for Department of the Army civilians and contractors who maintain and operate key training enablers to include ranges, mission command training centers, training aids, devices, simulators, and simulations.

Admiral FERGUSON. While we have not yet completed our assessment of the potential readiness impacts of sequestration in fiscal year 2014, we expect to take similar actions as those in fiscal year 2013 to address an estimated $5.7 billion reduction to our Operation and Maintenance Navy accounts.

These potential actions include:

- Reductions in operational deployments;
- Reductions in readiness levels of nondeployed units;
- Deferred or reduced maintenance availabilities for ships and aircraft;
- Reduced base operating support and improvements in shore infrastructure; and
- Reductions to investment accounts.

Our priorities for O&M, Navy expenditures in fiscal year 2014 will be:

- Fund our must pay bills;
- Fund fleet operations to meet adjudicated combatant commander requirements;
- Provide required training, maintenance, and certification for next-to-deploy forces;
- Fund necessary base operations and renovation projects to support training and operations; and
- Sustain sailor and family support programs

By the end of this fiscal year, two-thirds of our nondeployed ships and aviation squadrons will be less than fully mission capable and not certified for major combat operations. Should sequestration continue through fiscal year 2014, this percentage will likely increase.

General PAXTON. DOD and the Marine Corps are still examining the implications of sequestration continuing into fiscal year 2014. Budget complexities and a lack of details pertaining to sequestration and/or a Continuing Resolution in fiscal year 2014 make it difficult to predict detailed impacts. The Marine Corps maintains the long-term health and readiness of its force by balancing resources across five broad pillars: high quality people, unit readiness, capability and capacity to meet requirements, infrastructure sustainment, and equipment modernization. Maintaining balance across all five pillars is critical to achieving and sustaining Marine Corps readiness. Given the impacts of sequestration for fiscal year 2013, the Corps ensured its

short-term readiness with actions such as transferring facilities sustainment funding, delaying military construction (MILCON) to support operations, and delaying equipment maintenance and modernization. These actions created an imbalance across the readiness pillars that resulted in both near- and far-term readiness shortfalls and concomitant impacts with respect to long-term readiness. Sequestration in fiscal year 2014 would underfund the readiness needed to execute the National Defense Strategy, potentially leading toward a hollow force.

The Marine Corps is drawing down to an Active Duty end strength of 182,100 by the end of fiscal year 2016, at the rate of no more than 5,000 a year, and it will be retaining the Reserves at 39,600 marines. This will allow it to retain the capacity and capability to support steady state and crisis response operations; complete the mission in Afghanistan; provide sufficient dwell times; and keep faith with its marines. Further force reductions, due to sequestration, would cause the Corps to reevaluate its role in the National Defense Strategy and break faith with its marines.

The Marine Corps anticipates a significant reduction in deployable readiness due to reduced funding for the flying hour program, to the extent that by fiscal year 2015, approximately half of all aviation squadrons would not meet the minimum requirements for combat deployment. Reductions in training and maintenance would put more than 50 percent of tactical units at unacceptable levels of readiness for deployment. The curtailment of training and maintenance due to sequestration would further degrade the readiness of nondeployed crisis response forces. Nearly half of the Marine Corps' ground units and one-third of its aviation combat units would remain below acceptable readiness levels. Sequestration would also have adverse impacts on the availability and combat readiness of amphibious and maritime prepositioning ships, which are a foundational requirement for training and executing expeditionary force presence and amphibious force projection capabilities. Sequestration would decrease Service, joint, and combined training opportunities since the Corps would be forced to reduce its scale, scope, and participation in operations and exercises for geographic combatant commanders.

Facilities sustainment reductions in fiscal year 2014 and beyond due to sequestration would be unsustainable, hinder the rebalance to the Pacific, degrade training range sustainment, and reduce the quality of life for marines and their families. Equipment shortages are a principal readiness detractor for the operating forces and sequestration's impacts on depots would adversely impact the modifications, critical survivability and mobility upgrades, and modernization programs for equipment. Sequestration also would significantly delay the modernization programs essential to our medium- and long-term operational readiness.

General SPENCER. Sequestration has created significant readiness shortfalls and reduced our ability to meet future steady state and surge requirements. A sequestered 2014 budget will exacerbate those impacts. Examples of current sequestration impacts include stood-down, combat-coded flying units, postponement of field-level maintenance and depot inductions, reductions in depot production, and interruption of aircraft modification and modernization efforts. Under ideal budget scenarios, achieving full mission readiness goals will be a multi-year effort beyond what is achievable in fiscal year 2014. If fiscal year 2014 is sequestered, readiness recovery is not possible and the downward readiness trend will continue.

10. Senator AYOTTE. General Campbell, Admiral Ferguson, General Paxton, and General Spencer, if sequestration is allowed to occur in 2014, in your professional military judgment, what changes to our National Military Strategy (NMS) will have to occur for your Service?

General CAMPBELL. If sequestration occurs, we will necessarily have to revisit the Defense Strategic Guidance announced by the President in January 2012. Our existing service strategy to support the Defense Strategic Guidance was predicated on pre-sequestration manning of the force, but did include force reductions mandated under the 2011 Budget Control Act. The drastic cuts necessitated by sequestration will warrant a comprehensive review of the defense strategy. That process is underway as part of the SCMR directed by Secretary Hagel on 15 March 2013.

Admiral FERGUSON. Under this scenario, Navy would be unable to meet the National Defense Strategy as presently written. We are working with the Office of the Secretary of Defense (OSD) in the SCMR to inform the major decisions that must be made in the decade ahead to preserve and adapt our defense strategy, our force, and our institutions under a range of future budgetary scenarios. The results of this review will frame the Secretary's fiscal guidance and will ultimately be the foundation for the Quadrennial Defense Review due to Congress in February 2014.

General PAXTON. DOD and the Marine Corps are still examining the implications of sequestration continuing into fiscal year 2014. Under sequestration, we may be forced to do less, but that does not invalidate the guidance provided in our NMS.

Some of our customary 'ways' and 'means' may have to be revisited, because we will have less capacity, but sweeping changes to strategic goals (or 'ends') do not seem to be warranted. The Marine Corps does not believe a radical departure from the broad goals articulated in our current strategic guidance is necessary until we have exhausted every effort to achieve these goals within a reduced resource environment.

As the Nation's principal crisis response force, maintaining a high state of readiness across the entire force is necessary in order to ensure the security of our country's global interests. This readiness comes at a cost and the high readiness of our deployed forces has come at the expense of the Corps' nondeployed unit readiness. To maintain the high readiness of our forward deployed forces, we have had to source equipment globally while sourcing personnel for Afghanistan and other emerging threats from our nondeployed units. These nondeployed forces' principal readiness challenge is the reduced availability of equipment at home stations with which to outfit and train units, due largely to portions of their equipment being redistributed to support units deployed forward. The manning of home station units also suffers due to the need to meet enhanced personnel requirements for deploying units, Joint Force Individual Augments, and Security Force Assistance Teams. The primary concern with the out-of-balance readiness of the Corps' operating forces is the increased risk it creates in the timely response to unexpected crises or large-scale contingencies, since these nondeployed forces will likely be the responders.

General SPENCER. With the fiscal year 2013 sequestration ongoing, we have already noticed serious concerns with respect to readiness and response capability. We have stood down a number of our frontline active-duty fighter and bomber squadrons and have made unavoidable cuts in other operations and training budgets, and to our modernization accounts. As we continue into fiscal year 2014—if sequestration continues—I believe we will be challenged to provide a ready joint force with the proper capabilities and capacities to execute the NMS. Our senior leaders will be faced with some very difficult choices.

11. Senator AYOTTE. General Campbell, Admiral Ferguson, General Paxton, and General Spencer, please provide a detailed assessment of the impacts to military readiness and capabilities if sequestration continues into 2014.

General CAMPBELL. If sequestration continues into fiscal year 2014, the Army will potentially have to reduce the ground OPTEMPO and flying hour programs. This can impact the Army's ability to provide units trained for decisive action by limiting the training events at home stations and combat training centers. Less training will reduce required repairs of depot level reparable components and the workforce required to make those repairs. The Army may curtail units scheduled to train at the combat training centers or send only portions of those units, limiting the benefits of world class opposing forces, after action reviews by observer controllers, and an operational environment with training in multiple environments against hybrid threats. The Army will be challenged to prepare for a variety of contingencies and may require more time to prepare forces for deployment.

Potential reductions could also impact the Army's ability to execute home station individual and collective gunnery training by limiting the availability of ranges and deferring replacement of damaged targets. Range modernization efforts may be impacted as several projects will not have unexploded ordnance clearance completed. Reduced mission training complex capabilities will limit battalion, brigade, division and corps staff proficiency on their mission command systems in a realistic environment. Training Support Centers may not be able to provide instructor/operator support for numerous complex virtual trainers, including flight simulators and medical simulation training.

Potential reductions may impact the Army's institutional training capability to conduct Initial Military Training and critical functional skills training. This could result in a backlog of recruits awaiting training at the institutional training base. Soldiers may not receive duty-specific skill training required by the soldier's unit, thus contributing to degraded unit readiness. Additionally, funding reductions may impact the Army's ability to develop agile and adaptive leaders at all levels by reducing the opportunities for Professional Military Education.

Significant reductions to training accounts will reduce jobs for Department of the Army civilians and contractors who maintain and operate key training enablers to include ranges, mission command training centers, training aids, devices, simulators, and simulations.

Admiral FERGUSON. Should sequestration continue in 2014, Navy would continue to apply the general principles we used to assess readiness options in fiscal year 2013. Based upon the CNO's three tenets, "Warfighting First, Operate Forward, and Be Ready," Navy would have the following impacts:

- Navy forces on the ground engaged in combat operations and those forces forward providing direct support to combat operations would be at full readiness.
- Navy forces scheduled to deploy or forward deployed would be provided the resources to complete essential maintenance and training to meet their deployment date. The number of deployed forces would decrease.
- Beyond these first two criteria, hard choices would again be required with respect to the readiness of the remainder of the force.
- These choices would include:
  - Prioritizing support for the fiscal year 2014 Global Force Management Allocation Plan (GFMAP), cancelling additional deployments;
  - Reducing operating funding (Flying Hours/Steaming Days) for forward deployed forces not directly engaged in combat operations or supporting combat operations, reducing the level of operations by forward forces;
  - Deferring ship depot and intermediate maintenance below that is required to efficiently sustain expected service life. Ships deploying in fiscal year 2014 or fiscal year 2015 would be prioritized, but maintenance deferred would need to be completed later at a higher cost;
  - Deferring induction of airframes and engines for aviation depot maintenance, building a significant backlog into future years, and increasing cost;
  - Reducing training, technical support, repair parts, and admin support for forces not scheduled to deploy in fiscal year 2014 or early fiscal year 2015;
  - Imposing a hiring freeze or conducting limited furloughs of the civilian workforce. We would also assess the necessity to conduct a reduction in force;
  - Continuing deferral of facility sustainment and modernization, prioritizing projects involving life, health and safety, critical infrastructure, mission critical shipyard projects, and high return energy projects. Overall condition of shore infrastructure will deteriorate; and
  - Reducing quantities and cancelling selected procurement programs.

General PAXTON. DOD and the Marine Corps are still examining the implications of sequestration continuing into fiscal year 2014. Budget complexities and a lack of details pertaining to sequestration and/or a Continuing Resolution in fiscal year 2014 make it difficult to predict detailed impacts. The Marine Corps maintains the long-term health and readiness of its force by balancing resources across five broad pillars: high quality people, unit readiness, capability and capacity to meet requirements, infrastructure sustainment, and equipment modernization. Maintaining balance across all five pillars is critical to achieving and sustaining Marine Corps readiness.

Given the impacts of sequestration for fiscal year 2013, the Corps ensured its short-term readiness with actions such as transferring facilities sustainment funding, delaying MILCON to support operations, and delaying equipment maintenance and modernization. These actions created an imbalance across the readiness pillars that resulted in both near- and far-term readiness shortfalls and concomitant impacts with respect to long-term readiness. Sequestration in fiscal year 2014 may underfund the readiness requirements necessary to execute the National Defense Strategy, potentially leading toward a hollow force.

The Marine Corps is drawing down to an Active Duty end strength of 182,100 by the end of fiscal year 2016, at the rate of no more than 5,000 a year, while retaining a trained Reserve component of approximately 39,600 marines. This force structure balance will enable your Corps to retain a capacity and capability to support steady state and crisis response operations; complete the mission in Afghanistan; provide sufficient dwell times; and keep faith with our marines. Further force reductions due to sequestration may cause the Corps to break faith with its marines and have to revisit its role in the National Defense Strategy because we have less capacity (ways and means) to support the strategic goals (ends).

The Marine Corps anticipates a significant reduction in deployable readiness due to reduced funding for the flying hour program to the extent that by fiscal year 2015, approximately half of all aviation squadrons would not meet the minimum requirements for combat deployment. Reductions in training and maintenance will put more than 50 percent of tactical units at unacceptable levels of readiness for deployment. The curtailment of training and maintenance due to sequestration would further degrade the readiness of nondeployed crisis response forces. Nearly half of the Marine Corps' ground units and one-third of its aviation combat units would remain below acceptable readiness levels. Sequestration would also have adverse impacts on the availability and combat readiness of amphibious and maritime prepositioning ships, which are a foundational requirement for training and executing expeditionary force presence and amphibious force projection capabilities. Sequestration

would decrease Service, joint, and combined training opportunities, as the Corps may be forced to reduce its scale, scope, and participation in operations and exercises with the geographic combatant commanders.

Facilities sustainment reductions in fiscal year 2014 and beyond due to sequestration would be unsustainable, hinder the rebalance to the Pacific, degrade training range sustainment, and reduce the quality of life for marines and their families. Equipment shortages are a principal readiness detractor for the operating forces and sequestration's impacts on depots would adversely impact the modifications, critical survivability and mobility upgrades, and modernization programs for equipment. Sequestration would also significantly delay the modernization programs essential to our medium- and long-term operational readiness.

General SPENCER. If we do not receive sufficient funding in fiscal year 2014, we may have to rotationally stand down flying units, or fly them at a reduced rate, similar to the actions we've taken in fiscal year 2013. This sequester-induced noncombat ready posture of a portion of our fleet will impact our ability to fill our operation plan and Secretary of Defense-ordered missions, continue to degrade our depot maintenance and modernization programs, and will significantly erode our training and force development efforts creating long-term readiness shortfalls. Detailed assessments are ongoing and will require a classified venue for presentation.

PUBLIC SHIPYARDS

12. Senator AYOTTE. Admiral Ferguson, you state in your written testimony regarding the impact of sequestration, that, "In fiscal year 2014, we will reduce intermediate-level ship maintenance and defer 8 of 33 planned depot-level surface ship maintenance availabilities." Previously, the Navy announced the need to defer essential maintenance that allows our public shipyards to provide our combatant commanders the well-maintained fleet they require to protect our country. Can you explain how the Navy plans to minimize the disruption sequestration will cause the workforce at our public shipyards—which play such a critical role in maintaining our fleet's readiness?

Admiral FERGUSON. Navy plans to continue to meet the requirements in title 10, U.S.C., to provide the essential organic capability to perform depot- and intermediate-level maintenance, modernization, emergency repair work, and in-activations on nuclear-powered aircraft carriers and submarines. Additionally, to mitigate the impact of sequestration on maintenance availabilities for our ships, we requested and the OSD approved furlough exemptions for over 29,000 general and nuclear shipyard workers. Where possible, we will commence rehiring workers in the shipyards.

We will continue to manage public depot civilian employment on the basis of workload and the funds available for such depot maintenance, remaining within the limitation that no more than 50 percent of depot-maintenance funds can be contracted out to the private sector.

13. Senator AYOTTE. Admiral Ferguson, if sequestration goes forward in 2014, will it become increasingly difficult to shield our public shipyards from the impacts of sequestration?

Admiral FERGUSON. Yes. Navy will continue to do everything possible to protect the naval shipyards from the impacts of sequestration due to the immediate readiness impacts to our nuclear powered submarines and aircraft carriers. While we will be able to sustain their workload in the near-term, eventually shortfalls will accrue to the point where even nuclear work will have to be deferred. At that point, the public shipyards would experience similar funding shortfalls as those currently seen in the private sector depots.

HOLLOW FORCE

14. Senator AYOTTE. General Paxton and General Spencer, the Chairman of the Joint Chiefs recently testified that if Congress allows major across-the-board spending cuts to go forward, the military eventually will be asked to deploy troops who are unready and ill-equipped. He said, "if ever the force is so degraded and so unready, and then we're asked to use it, it would be immoral." Each of you have testified about severe long-term degradations of nondeployed unit readiness by the end of the fiscal year. These same forces could be called upon to respond to an unanticipated major regional contingency like an attack by North Korea. What are the first indicators that your Service is becoming a hollow force?

General PAXTON. A critical measure of the effectiveness of the Marine Corps is its institutional readiness. This readiness is preserved through a careful balance of high quality people, well-trained units, modernized equipment, well-sustained installations, and a force level sufficient to accomplish its many missions. Failure in any one of these pillars of readiness begins to set the conditions for an eventual hollowing of the force. Lessons learned from past post-war budget patterns (e.g. Korea, Vietnam, Cold War, etc.) have been institutionally inculcated. Some of the warning signals of approaching "hollowness" were such things as reductions in defense spending without reductions in forces, reductions in unit readiness levels, infrastructure and installations that could not support unit warfighting requirements, and reduced morale and retention. Additionally, safety and mishap rates could be an indication of inadequate training associated with reduced readiness. The Marine Corps is attuned to such indicators and is carefully watching for them.

Through close and continual Service command interactions and communications, the Defense Readiness Reporting System-Marine Corps (DRRS–MC), and Service-level personnel, materiel, installation, medical, and other data systems are utilized to inform Marine Corps leadership with respect to the status of the five institutional readiness pillars. Service-level readiness is further integrated into the Joint DOD community through the Chairman's Readiness System to measure the military's preparedness to achieve objectives as outlined by the NMS. These processes will inform the Marine Corps and enable it to inform Congress before the Service reaches a readiness crisis.

General SPENCER. A hollow force is one that looks good on paper, but has more units, equipment, and installations than it can support, lacks the resources to adequately man, train, and maintain them, and is not provided with enough capable equipment and weapons to perform its missions. We believe we've already seen the first indicators of a hollow force. Readiness is down, we are unable to train, our installations are not being maintained, and our weapons inventory is inadequate. The Air Force has been able to meet all Secretary of Defense-ordered missions remaining in fiscal year 2013, by maintaining combat-ready status for only select units. However, sequester jeopardizes our ability to surge additional forces to meet contingency and emergent combatant commander requirements. Based on our global intelligence, surveillance, and reconnaissance mission, the sequester-induced readiness deficit we are currently experiencing has placed us beyond the red line, or tipping point, in terms of risk. This will, however, only be evident outside of DOD in the event of a crisis requiring rapid and robust response.

15. Senator AYOTTE. General Paxton and General Spencer, what percentage or status of nondeployed unit readiness will be the red line or tipping point for your Service?

General PAXTON. As the Nation's principal crisis response force, maintaining a high state of readiness across the entire force is necessary in order to ensure the security of the country's global interests. Readiness comes at a cost and the high readiness of our deployed forces has come at the expense of the Corps' nondeployed unit readiness. To maintain the high readiness of our forward deployed forces, we have had to globally source equipment and personnel for Afghanistan and other emerging threats from our nondeployed units. These nondeployed forces' principal readiness challenge is the reduced availability of equipment at home stations with which to outfit and train units. The manning of home station units also suffers due to the need to meet enhanced personnel requirements for deploying units, Joint Force Individual Augments, and Security Force Assistance Teams. The primary concern with the out-of-balance readiness of the Corps' operating forces is the increased risk in the timely response to unexpected crises or large-scale contingencies, since these nondeployed forces will likely be the responders.

Financing near-term readiness has caused the Corps to decrement continually its modernization and infrastructure accounts. Over the long-term, resourcing short-term readiness by borrowing-forward from long-term investment resources is unsustainable, and will eventually degrade unit readiness to an unacceptable level. Full implementation of sequestration and the associated cap reductions in the coming years may require a top-to-bottom re-examination of priorities, missions, and what it will take to continue to be your Nation's Expeditionary Force in Readiness.

General SPENCER. Hollowness is best described in terms of risk. Under sequester, the Air Force is experiencing heightened risk that is exceptionally difficult to manage as we continue to meet the Defense Strategic Guidance. Based on our mission requiring global intelligence, surveillance, and reconnaissance, the sequester-induced readiness deficit we are currently experiencing has placed us past the red line or tipping point in terms of risk. This will, however, only be evident outside of DOD in the event of a crisis requiring a rapid and robust military response.

16. Senator AYOTTE. General Paxton and General Spencer, how close is your Service to becoming a hollow force?

General PAXTON. A critical measure of the effectiveness of the Marine Corps is its institutional readiness. This readiness is preserved through a careful balance of high quality people, well-trained units, modernized equipment, well-maintained installations, and a force level sufficient to accomplish our many missions. Failure in any one of these pillars of readiness begins to set the conditions for an eventual hollowing of the force. Lessons learned from past post-war budget patterns (e.g. Korea, Vietnam, Cold War, etc.) have been institutionally inculcated. Some of the warning signals of approaching "hollowness" were such things as reductions in defense spending without reductions in forces, reductions in unit readiness levels, infrastructure and installations that could not support unit warfighting requirements, and reduced morale and retention. Additionally, safety and mishap rates could be an indication of inadequate training associated with reduced readiness. The Marine Corps is attuned to such indicators and is carefully watching for them.

Through close and continual Service command interactions and communications, coupled with the DRRS–MC and Service-level personnel, materiel, installation, medical, and other data systems, Marine Corps leadership remains informed with respect to the status of the five institutional readiness pillars. Service-level readiness is further integrated into the Joint DOD community through the Chairman's Readiness System to measure the military's preparedness to achieve objectives as outlined by the NMS. These processes inform the Marine Corps and enable it to inform Congress before the Service reaches a readiness crisis.

General SPENCER. As we enter fiscal year 2014, we will focus on returning units that have been stood down to operational levels of readiness to prevent further erosion in their capabilities. However, if we do not receive sufficient funding in fiscal year 2014, we may have to again rotationally stand down units, or fly them at a reduced rate, similar to the actions we've taken in fiscal year 2013 while under sequester. A hollow force is one that looks good on paper, but has more units, equipment, and installations than it can support; lacks the resources to adequately man, train, and maintain them; lacks sufficient logistical support to employ forces effectively; and is not provided with enough capable equipment and weapons to perform their missions.

We believe we have already seen the first indicators of a hollow force. Readiness is down, we are unable to train, our installations are not being maintained, and our weapons inventory is inadequate. A sequester-induced non-combat ready posture of a portion of our fleet will impact our ability to fill operational plans and Secretary of Defense-ordered missions, as well as significantly erode our training and force development efforts, creating long-term readiness shortfalls. Overall, this lack of readiness creates increased and significant risk, and is incompatible with the Defense Strategy.

17. Senator AYOTTE. General Paxton and General Spencer, are your forces ready today to defend South Korea and Japan from the full range of possible North Korean attacks?

General PAXTON. A Marine Active-Duty Force of 182,100 will absolutely retain the capacity and capability to support current and crisis response operations through rotational deployments, and to rapidly surge in support of major contingency operations.

The Marine Corps' ability to execute our expeditionary crisis response role is based on one word—Readiness. This requires trained marines, ships at sea, and aircraft in the air. With fewer ready amphibious ships and fewer well-trained Marine units, we will still respond to crises, but the Nation's response options may be more limited, and our response times dramatically slowed.

General SPENCER. Under sequestration, we have preserved the flying hours for Pacific Air Force's squadrons to ensure these "fight tonight" forces are ready. Detailed descriptions of the Air Force's ability to meet South Korea and Japan defense requirements are classified and may only be presented in a classified venue.

WORLDWIDE THREATS

18. Senator AYOTTE. General Campbell, Admiral Ferguson, General Paxton, and General Spencer, do you agree with Director Clapper, the Director of National Intelligence, that national security threats are "more diverse, interconnected, and viral than at any time in history"?

General CAMPBELL. Together with his remarks to this subcommittee, Director Clapper's statement is consistent with and supports the Army's view of the current

and future operational environment. In his remarks Director Clapper expanded on the statement quoted above saying, "I do not recall a period in which we confronted a more diverse array of threats, crises, and challenges around the world." On 16 November 2012, in response to the Chairman of the Joint Chiefs of Staff in the Comprehensive Joint Assessment, General Odierno stated, "we face a complex and interconnected global operational environment characterized by a multitude of actors. This presents a wide range of possible threats." The Army agrees with Director Clapper and further asserts that conditions across the future strategic environment will range in scope from major conventional fights to limited contingency operations such as humanitarian assistance, stability missions, and cyber operations. Potential adversaries will range from conventional forces to unconventional forces; from international terrorist to homegrown violet extremist; and from foreign intelligence entities to trusted insiders and criminal elements.

Admiral FERGUSON. Yes.

General PAXTON. We concur with Director Clapper's characterization of the nature of the national security threats we are currently facing. Moreover, his view is reflective of the threat perceptions that have been driving Marine Corps combat and doctrine development for the last several years. In the U.S. Marine Corps Service Campaign Plan 2012–2020, our principal strategic planning document, we envisioned a "world of increasing instability and conflict, affected by competition for resources, urbanization, overpopulation, poverty, and extremism." Over the last several years, analysts within the Marine Corps Intelligence Enterprise have, in fact, shared this view with their Intelligence Community counterparts. Further, we assess that failing and failed states or those that cannot adequately govern their own territory have strong potential to become safe havens for terrorist, insurgent, and criminal groups that threaten the United States and its allies. These combined stresses will not help to simplify the threat forecast Director Clapper outlined.

General SPENCER. Yes, as Director Clapper points out, we face an unprecedented array of threats. Because of this rapidly evolving and highly complex operating environment, we continue to invest in world-class intelligence, surveillance, and reconnaissance capabilities focused on reducing uncertainty for combatant commanders as well as Joint and Allied Forces.

19. Senator AYOTTE. General Campbell, Admiral Ferguson, General Paxton, and General Spencer, how would you assess the readiness of your force to respond to the full range of diverse threats?

General CAMPBELL. Fiscal year 2013 budget uncertainty has delayed the Army's ability to refocus the training of contingency forces on conventional threats and required the Army to accept risk in meeting force deployment timelines in Combatant Commander Operational Plans. The Army does have a professional core of combat-tested leaders, but that will decay without further training challenges.

For the past decade, the Army's focus has primarily been on preparing forces to support operations in Iraq and Afghanistan. We learned and institutionalized much about conducting unified operations as part of whole-of-government campaigns in contemporary operating environments against asymmetric threats. In the process, we have forged a combat hardened core of Army leaders in both our Active and Reserve Forces. We understand the importance of mastering core tasks from which leaders and forces can adjust to unexpected and evolving assigned-mission circumstances.

As forces are on longer needed to deploy, we will use available resources to prepare them for the missions they were doctrinally designed to perform, that is, for decisive action in unified operations across a broader range of military missions and against a range of diverse contemporary threats. As forces are able to fully execute broader-focused training strategies, they will regain experience against conventional adversaries as well as irregular ones. The President's fiscal year 2014 budget will largely enable the Army to sustain leader core competencies through professional military education and begin building broadbased unit readiness. It takes an Army BCT approximately a full year to reset from a deployment and train-up for a broad range of missions. In the face of fiscal year 2013 budget uncertainty, the Army will ensure units with high-priority missions have the resources they need to be fully prepared and must accept risk in lower-priority units. Lowest priority forces may not be able to fully execute broader-focused training strategies and will only be able to achieve training proficiency up to the squad/crew/team level. If sequestration continues in fiscal year 2014, the Army will not have the resources to support the current Defense Strategic Guidance, placing readiness at risk. The Army will be unable to meet the range of missions in the existing strategic guidance if sequestration requires us to further reduce end strength.

Admiral FERGUSON. Our deployed forces are fully ready to support the President's Defense Strategic Guidance and operate forward in accordance with the adjudicated Global Force Management Plan.

Due to the impact of sequestration, by the end of this fiscal year, two-thirds of our nondeployed ships and aviation squadrons will be less than fully mission capable and not certified for Major Combat Operations. Additionally, we remain able to support 2.0 carrier strike groups deployed.

The most immediate impact is a reduction in the number and availability of fully-trained surge forces to support combatant commander crisis response requirements.

General PAXTON. The Marine Corps can sustain its current operational requirements into fiscal year 2014; however, to maintain the high readiness of our forward deployed forces the Corps has globally sourced equipment and personnel for Afghanistan and other emerging threats from its nondeployed units. These nondeployed forces' principal readiness challenge is the reduced availability of equipment at home station with which to outfit and train units. The manning of home station units also suffers due to the need to meet enhanced personnel requirements for deploying forces, Joint Individual Augmentation requirements, and manning Security Force Assistance Teams.

The primary concern with the out-of-balance readiness of the operating forces is increased risk in the timely response to unexpected crises or large-scale contingency, since those nondeployed forces will likely be the responders. Efforts to maintain the readiness of all of our forces may be further exacerbated if the O&M account is diminished and an annualized Continuing Resolution or sequestration is implemented in fiscal year 2014.

An annualized Continuing Resolution and/or sequestration in fiscal year 2014 would also adversely impact the availability of amphibious and maritime prepositioning ships. The combat readiness of these ships is a foundational requirement for training to and executing expeditionary force presence and amphibious force projection.

General SPENCER. Sequestration negatively affects Air Force full-spectrum readiness at a time when we have been striving to reverse a declining readiness trend. While the Air Force has met the demands of a high operational tempo in support of today's fight, this has inevitably taken a toll on our weapons systems and people, putting a strain on the overall readiness of the force. The effects of sequestration on readiness create heightened risk for the Air Force to respond to the full range of threats with ready forces.

20. Senator AYOTTE. General Campbell, Admiral Ferguson, General Paxton, and General Spencer, what would you consider to be your Service's greatest capability gaps?

General CAMPBELL. Our greatest capability gaps come if we are challenged concurrently by multiple major events. Additionally, when rapidly declining resources cause us to ramp down too quickly, we will be unable to balance modernization, readiness, and end strength appropriately, resulting in a hollow force.

Admiral FERGUSON. One of the most important characteristics of our naval force is that we operate forward where it matters. Some of our most significant capability gaps are where potential adversaries develop or invest in Anti-Access/Area Denial (A2/AD) systems and strategies. The gaps that the Navy faces from A2/AD threats include:

- Mines
- Small boat attacks
- Anti-ship missiles
- Undersea threats from adversary submarines and torpedoes
- Air threats from advanced aircraft and aircraft targeting systems
- Cyber attack capabilities
- Denying access to coastal areas and port facilities

The Navy's fiscal year 2014 budget submission prioritizes developing future capabilities in the above domains to address these capability gaps. Our development of future capability is bench-marked to support our rebalance toward the Asia-Pacific and is guided in large part by the Air-Sea Battle concept, which implements the Joint Operational Access Concept. Both these concepts are designed to assure U.S. forces freedom of action and access to support deterrence, assurance of our allies and partners, and the ability to respond to crises. Our investments (detailed in question #21) focus on assuring access in each domain, often by exploiting the asymmetric capability advantages of U.S. forces across domains.

General PAXTON. The Marine Corps' greatest capability gap concerns the ability to project ground maneuver forces to inland objectives from amphibious ships posi-

tioned over-the-horizon at distances of 12 nautical miles or greater. As certified in 2007 by the Chairman of the Joint Chiefs of Staff, and in light of projected future threats and operational scenarios, an amphibious capability remains essential to our national security.

Today, the Amphibious Assault Vehicle (AAV), originally fielded in the mid-1970s, provides a limited amphibious capability for Marine Corps infantry. The vehicle has several component obsolescence issues which make it increasingly difficult and expensive to maintain and, beyond that, it was not designed to operate in the way we now require it to. Specifically, when the AAV's capabilities are measured against current and future operational requirements and threat capabilities the vehicle's performance falls critically short in water and land mobility, personnel protection, lethality, communications, navigation, and situational awareness.

We are addressing this critical capability gap with the Amphibious Combat Vehicle (ACV) program which is now in the requirements definition phase of development. An ACV is a key capability for the Nation's expeditionary force-in-readiness. The capability to project power from the sea ensures joint freedom of maneuver against increasingly sophisticated A2/AD strategies across the range of military operations in areas vital to our national interest. To this end, an ACV creates operational and tactical options through rapid maneuver on sea and land, provides for the seamless transition of combat power from sea to land, enables rapid response to crisis, enables the introduction of joint follow-on forces and can impose disproportionate costs on our enemies who must extend their defenses.

General SPENCER. The ability to penetrate, operate, hold targets at risk, and persist in highly contested environments is our Service's greatest challenge. The long-term Air Force commitment is to maintain the world's best air force and sustain the capability to operate anywhere the Nation requires, including highly contested airspace. Near-term improvements and acquisitions will bolster the Air Force's capability to support our Joint Forces. Specifically, the Air Force must continue to move forward with force modernization of key weapon systems and inventory fulfillment of preferred munitions.

Our legacy, or fourth-generation, fighter fleet has secured more than 20 years of an air superiority advantage, but may lose its ability to operate as effectively in highly contested environments. Air superiority and long-range strike capabilities cannot be assumed. New threats and corresponding investment needs are not theoretical future possibilities; they are here, now. Significant investment in fifth-generation platforms and preferred munitions is essential to address these threats. The future success of the Nation's military and the joint team depends on modernizing our Air Force and keeping it ready to fight. Weapon systems like the F–22, with contributions from the F–35, are what will carry America's Air Force forward to continue to provide air superiority. The Long-Range Strike Bomber is a key piece of the development of our long-range strike family of systems, the capabilities of which are critical to our ability to carry out our global strike mission. There are also areas of research and development which have the potential to sustain and extend America's edge in aerospace technology, which will be delayed and perhaps not achieve fielding given current resource constraints. Potential specifics would be in the area of ballistic missile defense and advanced jet engine development.

21. Senator AYOTTE. General Campbell, Admiral Ferguson, General Paxton, and General Spencer, what funding is included in the fiscal year 2014 budget request to address those capability gaps?

General CAMPBELL. The 2014 budget request reflects what would be required to execute the January 2012 Defense Strategic Guidance. However, that assessment predates sequestration or any changes to the guidance necessitated by sequestration-imposed budget cuts. The capability gaps we will face will be caused, if not compounded, by the steepness of those cuts above the gradual reductions now programmed within the budget.

Admiral FERGUSON. The fiscal year 2014 budget submission improves capabilities in our ability to counter A2/AD threats and address vulnerabilities in our capabilities and provides our forces with proven technologies that limit the adversary's ability to defeat our ability to project power.

- Mine threat: Countering potential enemy ability to use mines to deny access to naval forces continues to be a significant emphasis in the near term. The Navy budget request funds Littoral Combat Ship MCM Mission Package development to include MH–60S helicopter Airborne Laser Mine Detection System and Airborne Mine Neutralization System systems, MCM hull-mounted sonar, and accelerates fielding of the MK–18 UUV and Seafox mine neutralization system;

• Small boat and anti-ship missile threat: Small boats with explosives and anti-ship missiles remain a potential threat to our forces in the constrained waters of the Arabian Gulf. The Navy budget request funds integration of an Advanced Precision Kill Weapon System into our MH–60R helicopters to counter small boats with explosives or anti-ship missiles. The Laser Weapons System is also being tested in the Arabian Gulf onboard USS *Ponce* and we are investing in development and testing of near-term modifications to existing weapons on our larger surface combatants;

• Undersea threat: Navy's dominance of the undersea domain provides U.S. forces their most significant asymmetric advantage. Our investments continue to improve our capability to deny the undersea to adversaries, while exploiting it for our own operations. The Navy budget request sustains and plans production of proven Anti-Submarine Warfare (ASW) platforms including MH–60R Seahawk helicopters, P–8A Poseidon maritime patrol aircraft, and DDG–51 and *Virginia*-class nuclear submarines. The request also funds capabilities such as advanced airborne sensors for the P–8A Poseidon, accelerates torpedo defense systems for CVN, improves Navy's Undersea Surveillance system, continues development of the Large Displacement Unmanned Underwater Vehicles and additional payloads for existing submarines. We also continue to practice and refine warfighting in wargames and real-world exercises including Valiant Shield and Rim of the Pacific which practices high-end ballistic missile defense, surface warfare and ASW in simulations and live-fire missile and torpedo events;

• Air threat: Air power is a key component of the naval force, and improving the capability of our CSGs to project power despite threats to access closes a key gap. The Navy budget request funds the continued development and low rate production of the new F–35C Lighting II and capability improvements such as infra-red sensors and weapons that provide air-to-air capability that are not susceptible to radio frequency jamming. The request also funds improvements to further network sensors and weapons in the Navy Integrated Fire Control Counter Air capability that uses a network between Aegis ships and the E–2D aircraft to seamlessly share threat information. Lastly, the budget funds the development and testing of the Unmanned Combat Air System Demonstrator;

• Electromagnetic Spectrum and Cyber: Future conflicts will be fought and won in the electromagnetic spectrum and cyberspace, which are converging to become one continuous environment. This environment is becoming increasingly important to defeating threats to access, since through it we can disrupt adversary sensors, command and control and weapons homing. The Navy budget request funds two additional squadrons of EA–18G Growler electronic warfare aircraft, the Next Generation Jammer, seven SLQ–32 Electronic Warfare Improvement Program (SEWIP) block I upgrades, accelerates research and development on SEWIP Block 3, fields new deployable decoys to defeat anti-ship missiles and continues procurement of improvements to Navy's Ships Signal Exploitation Equipment to provide protection from electronic attack; and

• Amphibious warfare: The flexibility to come ashore in unexpected areas or from less predictable directions is an asymmetric advantage against adversary anti-access efforts. The Navy budget request funds training to conduct integrated operations with the Marine Corps, construction of an 11th "big deck" amphibious assault ship (LHA–8), which will bring enhanced aviation capacity and a traditional well deck to expand its ability to support the full range of amphibious operations, improvements to extend the life of USS *Peleliu* through fiscal year 2015, and sustaining our ship-to-shore connector capacity through life extensions and recapitalization.

General PAXTON. Many of the Marine Corps' ground combat tactical vehicles show signs of age, but none more than the current AAV which has been in service since the mid-1970s. The legacy AAV has served the Corps well for more than 40 years, but faces multiple component obsolescence issues that affect readiness, sustainment costs, safety, and our ability to respond from the sea. The ACV is needed to replace this aging fleet. To meet the demands of both amphibious crisis response and forcible entry, the ACV program will develop and field an advanced generation, fully amphibious, armored personnel carrier for Marine Corps expeditionary forces.

The ACV will provide the ability to maneuver from the sea and to conduct amphibious and combat operations ashore by providing the capability to self-deploy from amphibious ships and to seamlessly transition between sea and land domains. The ACV will enable the efficient, tactical mobility of infantry combat forces from ships to inland objectives across beach landing zones under uncertain, non-permis-

sive, or hostile conditions in order to facilitate the rapid buildup of combat power ashore. Our objective in the ACV acquisition program is to provide a sufficient quantity of vehicles to ensure we can meet the requirement of the surface assault force for forcible entry and sustain Marine Air Ground Task Force (MAGTF) operations. To support this program, the Marine Corps has requested $137 million for research and development of the ACV in fiscal year 2014.

During the interval in which we design, build, and field the ACV, we must ensure the continued safety, reliability, and operational capability of our "legacy" AAV. The current AAV platform faces significant maintenance challenges and obsolescence issues. Accordingly, AAV sustainment efforts remain a top Marine Corps recapitalization effort priority until fielding of the ACV. As such, the Marine Corps has requested $70 million for AAV sustainment in fiscal year 2014.

General SPENCER. The Air Force fiscal year 2014 budget request is strategy-based, fiscally informed, and sets a course toward full-spectrum readiness of the force to execute the Defense Strategic Guidance (DSG). Furthermore, the fiscal year 2014 request addresses modernization challenges and keeps the Air Force "Big 3" modernization programs (Long-Range Strike Bomber, KC–46A, and F–35A) on track. These are critical programs to ensure the Air Force can operate and win in highly contested environments worldwide.

Specifically, the fiscal year 2014 research, development, test, and evaluation appropriation request includes $1.6 billion for the KC–46A and $800 million to support development of the F–35A Joint Strike Fighter. It also funds $400 million towards efforts to develop a new long-range, nuclear capable, optionally-manned, penetrating bomber. The fiscal year 2014 procurement portfolio delivers both immediate and future capabilities through investments across four specific appropriations: aircraft, missile, ammunition, and other procurement. In fiscal year 2014, the Air Force procures 19 F–35As and 3 CV–22B Ospreys in addition to various upgrades and modifications to the existing fleet.

The priorities articulated and funded in the fiscal year 2014 budget request balance the Air Force's requirement to support the current DSG with today's fiscally constrained environment. We will continue making tough trade-offs to preserve our core capabilities and deliver on our commitment to national defense.

BREAKING FAITH—MORALE OF OUR FORCES

22. Senator AYOTTE. General Campbell, Admiral Ferguson, General Paxton, and General Spencer, I am concerned that continuing to ask our military members and DOD civilians to assume more risk by doing more with less will eventually break faith with our troops. How would you assess the trends in the morale of the military members and civilians working in your Service?

General CAMPBELL. The current source of morale data is from the Spring 2012 Sample Survey of Military Personnel (SSMP). The SSMP was distributed between May and August 2012 and contains the responses of over 12,000 Active Army, Army National Guard, and U.S. Army Reserve soldiers. Results for Active Army respondents were not significantly different from previous data collected in 2011. Since this was the first distribution of the SSMP to the Reserve component (RC), previous RC survey data are not available for comparison. When asked how they would rate their current morale, 35 percent–54 percent of Active, U.S. Army Reserve, and Army National Guard soldiers responded "high" or "very high," 33 percent–38 percent responded "moderate," and 10 percent–28 percent responded "low" or "very low." When asked how they would rate the morale in their unit, 21 percent–45 percent of Active, U.S. Army Reserve, and Army National Guard soldiers responded "high" or "very high," 38 percent–48 percent responded "moderate," and 12 percent–40 percent responded "low" or "very low."

Although furlough is only a short-term fiscal mitigation tool, it may pose long-term financial implications for our civilian workforce. The continued freeze on civilian pay, limitations placed on overtime, discontinuance of monetary awards, and implementation of furlough are having significant impact on the morale of our civilian workforce, particularly because it impacts their financial stability.

Admiral FERGUSON. By our most recent surveys, overall health of the force is good, morale remains near historic high levels, and work satisfaction has increased over the last 12 years. Aggregate retention remains strong, though some areas of highly skilled sailors are showing indications of reduced retention. The 2012 Quality of Life Survey and Behavioral Health quick polls revealed positive feedback with standard of living, income and job satisfaction, while concern was expressed about manning shortages, long work hours, and high operational tempo.

These surveys were taken before the force had observed the impact on readiness and operating schedules due to reduced funding, and potential force structure cuts. We do not presently see a trend in morale after a few months of sequestration. We anticipate a more negative trend to emerge as furloughs are enacted, maintenance is cancelled or deferred, and operational tempo changes for the force. We will continue to monitor this closely.

General PAXTON. Marines and their families are resilient and morale remains high; however, talk of looming budget cuts and the possible impact those cuts will have on marines' quality of life, families, and jobs all take a toll. In the fiscal year 2013 Enlisted Retention Survey: 76 percent of respondents said they are either satisfied or very satisfied with being a marine, which is in line with what we have seen over the past 2 years; and 57 percent of respondents said they are either likely or very likely to reenlist, which also is in line with what we have seen over the past 2 years. In the most recent Officer Satisfaction Survey, 85 percent of respondents said they are satisfied with the military lifestyle.

Our civilian marines support the mission and daily functions of the Marine Corps and are an integral part of our Total Force. Serving alongside our marines throughout the world, in every occupation and at every level, our civilian appropriated funded workforce remains the leanest of all Services, with a ratio of 1 civilian to every 10 active duty marines. More than 93 percent of our civilians do not work in Headquarters' elements in the Pentagon; they are at our bases, stations, depots, and installations. Sixty-eight percent are veterans who have chosen to continue to serve our Nation; of those, a full 13 percent have a certified disability.

The potential human impact associated with furloughing our civilian marines is significant. While we would like to believe that a discontinuous furlough will reduce the impact on our employees, most will not be able to easily absorb this sudden loss of income, even over a period of several months. With prolonged budgetary uncertainty, including the possibility of additional furloughs in fiscal year 2014, employee stress is increasing, civilian morale is declining, and at some point productivity will begin to suffer.

General SPENCER. We have a dedicated and professional force that serves our Nation proudly. However, with many of our pilots not flying, our civilian employees worried about lost pay due to the furlough, and the future of our morale, welfare, and recreation and quality of life programs in question, all of this negatively impacts the morale of our airmen.

23. Senator AYOTTE. General Campbell, Admiral Ferguson, General Paxton, and General Spencer, are you concerned that the steep decline in DOD budgets will eventually erode morale for military members and DOD civilians, ultimately having an insidious effect on readiness?

General CAMPBELL. Yes, I am concerned that steep budget cuts could lead to a decline in morale, which could impact readiness. Our soldier survey data does not indicate a drop in morale now, but the data was collected too early to take into account sequestration. If soldiers are continually asked to do more with less, it will have an impact. I am also concerned that civilian morale will be affected by furloughs, pay and hiring freezes, curtailment of training opportunities, and overtime limitations. Any decrease in morale in our civilian workforce will have a negative impact on readiness.

Admiral FERGUSON. Overall, the health of the Active Duty and Reserve Force is good and morale as determined through our surveys remains positive. We continue to monitor the force to measure the impact of fiscal uncertainty, budget reductions, and furloughs on their morale and propensity to serve.

We continue to meet overall active duty recruiting and retention goals, though we are beginning to see some impacts to the retention of highly skilled sailors and a slight drop in recruit quality as the economy improves. Anecdotally, the multi-year pay freeze, hiring freeze, and pending furloughs have begun to impact the morale of our civilian workforce. We will continue to monitor this closely to assess the impact of funding reductions.

General PAXTON. Marines and their families are resilient and morale remains high; however, talk of looming budget cuts and the possible impact those cuts will have on marines' quality of life, families, and jobs all take a toll. In the fiscal year 2013 Enlisted Retention Survey: 76 percent of respondents said they are either satisfied or very satisfied with being a marine, which is in line with what we have seen over the past 2 years; and 57 percent of respondents said they are either likely or very likely to reenlist, which also is in line with what we have seen over the past 2 years. In the most recent Officer Satisfaction Survey, 85 percent of respondents said they are satisfied with the military lifestyle.

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General SPENCER. Sequestration reductions are already negatively affecting Air Force readiness and morale. Currently nine combat-coded fighter units and three combat-coded bomber units are stood down and have ceased flying operations. Seven combat-coded units are flying at basic mission capable levels and will only return to combat mission ready status if funding becomes available. Flying hour reductions will halt training for the rest of the year in many units and will take up to 6 months to restore pilot proficiency. Additionally, there is the furlough of our valued civilian workforce, significantly reducing civilian pay and slowing productivity.

24. Senator AYOTTE. General Campbell, Admiral Ferguson, General Paxton, and General Spencer, how will this impact retention and recruitment?

General CAMPBELL. By shifting funding, the Army addressed the risk of military recruitment mission failure in fiscal year 2013 due to sequestration. Future civilian furloughs will not affect the ability of Army accessioning agencies to achieve fiscal year 2013 accession missions. However, if the U.S. Military Entrance Processing Command curtails operations in fiscal year 2013 due to civilian furloughs, some delays in contracting new servicemembers for entry into the Army, Navy, Air Force, and Marine Corps in fiscal year 2014 may occur. The Army plans to mitigate these delays by processing these soldiers after the beginning of the new fiscal year.

Sequestration has impacted retention in terms of reenlistment rates, training, and Selective Retention Bonuses. Since 2012, the Army has observed a slight decline in retention rates that is attributable to a general loss of predictability in benefits, assignments, and promotion opportunities in consequence of sequestration and the ongoing Army drawdown. An indicator of this emerging trend is the fiscal year 2013 Expiration Term of Service mission to retain 7,800 Active component enlisted soldiers. We anticipate that the Army will only retain around 7,500 soldiers in this particular category. The Army National Guard is also anticipated to fall short of its fiscal year 2013 retention mission. The impact of these retention mission shortfalls will be somewhat mitigated as the Army decreases its force structure. Sequestration has constrained the conduct of essential training that develops career counselors' abilities and effectiveness to advise commanders at all levels on retention policies and issues. Sequestration has also constrained future funding of the Army's Selective Retention Bonuses and Critical Skill Retention Bonuses. These monetary incentives are employed to retain and attract soldiers into the most critical skills that either have higher attrition rates and/or require a higher level of skill and training. The Army's continued investment in these critical skills is essential to mission success.

On January 10, 2013, the Deputy Secretary of Defense directed the Services to take necessary steps to mitigate budget execution risks, resulting in an immediate freeze on civilian hiring and the release of personnel on temporary appointments. Not only does the freeze hinder Army Commands' ability to support their missions, it limits the civilian workforces' promotional opportunities. This may negatively affect retention rates, especially those deemed hard to fill (e.g., medical and behavioral health occupations) and immediately impact the retention for our temporary workforce. The ultimate result of these actions could drive civilians to see DOD as not a viable career.

Admiral FERGUSON. Economic conditions for the past several years have favored recruitment and retention in our Active-Duty Forces. Reductions in funding, the impact of reduced training, last minute deployment cancellations, and extended deployments may hinder our ability to recruit and retain high quality individuals to meet aggregate and critical skill manning requirements in the future. A prolonged sequestration would likely inhibit recruiting efforts and reduced training opportunities would be felt across increasingly larger segments of the force.

General PAXTON. Severe budget constraints related to sequestration that result in reductions in recruiters and recruit advertising, and potential civilian furloughs at our recruit processing stations will degrade the quality of our recruit pool, cause disruptions in our pipeline of recruits, and place added stress on our recruiters, 71 percent of whom already work in excess of 60 hours per week. Reductions to our recruit advertising budget jeopardizes our established market share and awareness with prospects and their influencers. All service recruiting will be impacted by civilian furloughs at Military Entrance Processing Stations (MEPS) because 80 percent of MEPS personnel are civilians. The mandated civilian furlough reduces their available processing capacity. Implementation of a 4-day processing week will therefore degrade our accession efforts. Similarly, additional cuts to our retention programs, such as re-enlistment incentive pays, will impact our ability to shape our force to meet continuing mission requirements and retain critical MOSs with the most qualified marines.

General SPENCER. We have enjoyed a robust recruiting and retention environment in recent years mostly due to the relatively high unemployment rate and a struggling economy. Youth studies, such as those done by Joint Advertising Market Research and Studies already indicate that youth are less likely to serve in our Nation's military then they have been in the past. The study also indicated that 47 percent of new recruits were undecided about a career choice and were influenced to consider the military within a year of joining the Service. Budget cuts to advertising, marketing, and outreach programs will jeopardize the Air Force's ability to meet career field and DOD quality requirements within a shrinking recruiting pool. Additionally, respondents to these surveys also indicate pay and educational opportunities as two of the major reasons for their decision to enlist and DOD budget cuts are a perceived threat to these benefits.

NAVY FLEET OPERATIONS TEMPO

25. Senator AYOTTE. Admiral Ferguson, last year at our hearing, I asked you about the unsustainable pace of surged fleet operations as high demand for ships and submarines was taking its toll. You responded that the Navy was taking measures to ensure appropriate levels of readiness by shifting to a more sustainable deployment model including fully funding ship maintenance and midlife modernization periods. The Navy has been through a lot in the past year, including sequestration, the loss of a minesweeper, and other significant, unanticipated ship expenses. Can you provide me an update on efforts in fiscal year 2013 to prevent further degradation to fleet readiness?

Admiral FERGUSON. As reflected in our initial fiscal year 2013 budget, Navy remains committed to performing the necessary ship depot maintenance to sustain the readiness of the Fleet. Our budget fully funded surface ship maintenance availabilities in fiscal year 2013. We also funded the Total Ship Readiness Assessment program to improve ship readiness through the earlier identification of material readiness deficiencies, and the Surface Maintenance Engineering Planning Program to provide centralized life cycle maintenance engineering and class maintenance planning and management for the surface fleet.

Because of sequestration's impact to surface ship maintenance funding, we were unable to execute eight of the planned fiscal year 2013 availabilities. Those eight remain a top priority and we are pursuing options in conjunction with OSD Comptroller to fund them this year. Aircraft carrier and submarine availabilities were fully funded in fiscal year 2013, and the impacts of sequestration have been mitigated by exempting the public shipyard workforce from furlough. Despite these efforts to reduce the impact of sequestration on readiness, by the end of this fiscal year, two-thirds of our nondeployed ships and aviation squadrons will be less than fully mission capable and not certified for Major Combat Operations.

26. Senator AYOTTE. Admiral Ferguson, will any of this work be recovered in the Navy's budget request for fiscal year 2014?

Admiral FERGUSON. No. The Navy's fiscal year 2014 budget is based on the assumption that all fiscal year 2013 work is completed as planned. Any work deferred from fiscal year 2013 will either displace planned fiscal year 2014 work, be deferred into a future year, or be cancelled. It could be executed should the Navy receive additional funding in the O&M account.

27. Senator AYOTTE. Admiral Ferguson, can you provide a list of unplanned or unbudgeted ship repairs identified in fiscal year 2013 and the Navy's plan to fund those repairs?

Admiral FERGUSON. Navy prioritizes scheduling and funding of unplanned, emergent requirements as necessary to return ships to full service as soon as practicable. The following emergent work has occurred or is in progress in fiscal year 2013. All listed work has been funded or obligated with fiscal year 2013 Operation and Maintenance, Navy funds.

- USS *Porter* (DDG 78) collision repairs
  - $77 million firm-fixed-price contract awarded to BAE Systems Norfolk Ship Repair for the fiscal year 2013 extended dry-docking selected restricted availability to complete final permanent repairs as well as previously scheduled maintenance and modernization
- USS *Montpelier* (SSN 765) collision repairs
  - Newport News Shipbuilding/Huntington Ingalls Industries is in the process of repairing the ship with a current cost estimate of approximately $52 million
- USS *San Jacinto* (CG 56) collision repairs
  - Repaired in BAE Systems in Mayport, FL, at a cost of approximately $13 million
- USS *Guardian* (MCM 5) grounding damage
  - Repair not economically feasible, decommissioned on 6 Mar 2013
  - Dismantling and disposal cost an estimated $45 million
- USS *Miami* (SSN 755) fire damage
  - Repair estimates are currently under review.
  - $45 million for USS *Providence* availability cost (associated with shift to private sector)
- USS *Nimitz* (CVN 68) cooling pump repairs
  - $32 million for repairs

28. Senator AYOTTE. Admiral Ferguson, how would you assess the readiness of our carrier force to meet combatant commanders' requirements?

Admiral FERGUSON. Our carrier forces are meeting operational demands and required readiness levels, but are operating under strain.

For the past 3 years, carrier forces have met adjudicated Global Force Management presence requirements; however, in doing so, they have been deployed at unsustainable rates, deferring maintenance and increasing the risk of significant cost growth in subsequent maintenance availabilities. The deployment rates have also exceeded original CVN force structure plans, thereby increasing the risk of not reaching expected CVN service lives. The combination of increased CVN operational tempo and current budgetary constraints has resulted in accumulating pressures on personnel, CVN material condition, and service life.

With respect to surge requirements, the fiscal year 2014 budget request would support only a single carrier strike group available for worldwide surge. This is a reduction from previous years, when generally three carrier strike groups were fully trained and available for surge operations.

CONTRACTS FOR ESSENTIAL MILITARY SERVICES

29. Senator AYOTTE. General Campbell, Admiral Ferguson, General Paxton, and General Spencer, on April 1, 2013, U.S. Transportation Command (TRANSCOM) issued a $50 million solicitation to procure contractor services for short take-off and landing services for military casualty evacuation, military personnel airlift, cargo airlift, and military air drops in the Trans-Sahara area of Africa for the next 4 years to support high-risk military operations. According to the solicitation, the Services shall be based from Burkina Faso and be capable of conducting operations from various temporary forward operating locations, to include primitive field accommodations such as tents. I have some fundamental concerns about this solicitation. In your experience, is the use of a commercial contract for these types of services common in the military?

General CAMPBELL. TRANSCOM, a unified combatant command, is responsible for managing air and surface lift utilizing an appropriate mixture of organic and contracted commercial capabilities. The Army routinely utilizes TRANSCOM managed capabilities for the movement of cargo, passengers, and casualties worldwide to include contingency operations support. The Army is confident that TRANSCOM will maintain the appropriate mix of organic and commercial capabilities and will provide the appropriate asset to meet Army mission requirements.

Admiral FERGUSON. The Navy's contracting authority is limited to support of the Navy's core mission. The Navy has no contracting authority to procure commercial contractor services for short take-off and landing services for military casualty evacuation, military personnel airlift, cargo airlift, and military air drops to support high-risk military operations overseas.

General PAXTON. The use of commercial contract airlift support has evolved into a standard practice since its inception during Operation Iraqi Freedom (OIF) and continued use during Operation Enduring Freedom-Afghanistan (OEF–A); it is a viable and often cost effective transportation capability that compliments operational and tactical airlift resources. United States Forces-Afghanistan (USFOR–A) manages ISAF Contracted Air Transportation (ICAT) which provides support to each regional command in Afghanistan. The program has been successful in providing relief to Marine Corps assault aircraft that would otherwise be required to support these usually non-priority/regularly scheduled logistics runs of bulk items to outlying Combat Outposts.

AFRICOM engaged TRANSCOM to leverage contracting authority to satisfy a gap in current medical coverage from Level I to Level V in their area of responsibility. Currently, there is inadequate capability for short-term intervention for injured, wounded, and ill servicemembers in a geographically huge theater with numerous remote locations. Specifically, there are no personnel, aircraft, or in-patient medical facilities. DOD has historically contracted for services not available in the Military Health System in the continental United States (CONUS) or outside CONUS.

DOD Aeromedical Evacuation using U.S. military airlift is designed to function in contingencies with large casualty numbers. In regional areas and when moving single casualties from regions with a low level of activity, military airlift is expensive and challenging to access since it is unlikely in the region. The use of smaller, more agile contract aircraft is often more efficient and effective (timelier) for the patient.

General SPENCER. Yes. Utilizing current military assets is normally the preferred method to fulfill requirements, but is not always appropriate given competing operational requirements and diplomatic sensitivities. Diplomatic concerns regarding a large U.S. military presence in the region played a significant role in the selection of this course of action to support the warfighter. The use of military aircraft not only introduces overtly marked U.S. military aircraft to the region, it also requires a larger footprint of U.S. military enablers. Contracted airlift meets this requirement without adding to our military presence. Additionally, organic military aircraft cannot access the smaller airfields in the region, and diplomatic clearance timelines for military aircraft range from 7 to 21 days (based on country), whereas contracted lift processes clearances through the commercial channels which greatly reduces this timeline (in some cases gaining clearance in 48 hours or less).

30. Senator AYOTTE. General Campbell, Admiral Ferguson, General Paxton, and General Spencer, wouldn't you consider medical casualty evacuation and air drops in a high risk area to be an inherently military function?

General CAMPBELL. We always plan to utilize military means when developing the medical evacuation plan in support of our conventional forces. We go to great lengths to ensure our commanders are properly resourced for this critical lifesaving mission and will not compromise the safety of our soldiers. Likewise, our preferred method for air drop is also via military means, however, under exceptional circumstances if the contractor is certified, we do make exceptions for both casualty evacuation and air drop operations.

Admiral FERGUSON. While the Navy does not have the authority to contract for commercial air services, I do consider medical casualty evacuation and air drops in a high risk area to be an inherently military function. In combat or during other high risk activities, a commander must have the ability to personally direct personnel to perform certain functions.

General PAXTON. Yes, medical casualty evacuation and air drops in a high risk area are considered an inherently military function. The use of commercial contract support for aerial delivery and medical casualty evacuation has been in use over the past 10 years to complement military resources and fill shortfalls in support of combat operations. Medical contract support offsets our limited capabilities and serves as an alternative but shouldn't be used as the primary enabler if at all possible.

Any designated non-kinetic environment, such as transporting patients from a strategic hub to Ramstein Air Force Base for further treatment and follow-on movement to CONUS, could be supported via a commercial/contracted aero evacuation solution so long as appropriate medical staff and equipment are included in the contract.

Contracted aerial delivery is conducted today on a routine basis to support combat operations in Afghanistan and can be considered to support future operations in other areas of the world.

General SPENCER. Yes. However, contracted air services have proven more than a sufficient level of capability in certain permissive environments. Utilizing military assets is normally the preferred method to fulfill requirements, but is not always appropriate given competing operational requirements and diplomatic sensitivities.

31. Senator AYOTTE. General Campbell, Admiral Ferguson, General Paxton, and General Spencer, if you were commanding forces in military operations in that part of the world, would you be comfortable relying on a contractor to evacuate your wounded or to drop your commandos?

General CAMPBELL. Speaking as a former division commander and brigade commander in Iraq and Afghanistan, the care and welfare of our soldiers is paramount in all military operations. In planning and execution the preferred method of evacuating wounded is always via military means, as is the delivery of troops via air. In some unique circumstances if the contractor is certified, we do make exceptions and execute these missions by other means.

Admiral FERGUSON. The functions to which you are referring by definition fall under "inherently governmental" and therefore should not be contracted support services.

General PAXTON. Given the fact the contractor is a non-combatant, and extracting wounded and dropping marines in a hot zone is a military (combatant) function, I would not feel comfortable having to primarily rely on a contractor to support these types of missions. Contract support should be considered as a complement to military air or as an alternative in a benign or otherwise stable environment with military oversight.

General SPENCER. U.S. Africa Command (AFRICOM) created and validated the requirement to provide Special Operations Command Africa with airlift for both medical evacuation and logistical support in Western Africa. This contract replaces an existing contract with similar specifications which expires at the end of the fiscal year. To date, the aircraft and personnel under the existing contract have performed admirably in support of our operations in Africa and there is no reason to believe that fact will change. Personnel drops will not be accomplished with these assets.

32. Senator AYOTTE. General Campbell, Admiral Ferguson, General Paxton, and General Spencer, are you aware of a command request for forces for the missions specified in the solicitation which was denied?

General CAMPBELL. The Army is not aware of any Request for Forces for the missions specified in the TRANSCOM solicitation.

Admiral FERGUSON. I am unaware of any Navy command submitting a request for these services which was denied.

General PAXTON. This particular solicitation offers a TRANSCOM contracted solution to an AFRICOM operations and exercise capacity shortfall for Joint Special Operations Task Force-Trans Sahara. The Marine Corps has been queried by the Joint Staff on multiple occasions concerning our Services' ability to support AFRICOM combat search and rescue-personnel recovery requirements. The Marine Corps has consistently responded to the Joint Staff with the ability to provide a limited, in lieu of casualty, evacuation capability. The Marine Corps has not been directed to provide this limited capability to date.

General SPENCER. Requests for forces are initiated by combatant commanders, then routed through the Joint Staff for tasking to the appropriate Service. The Air Force is not aware of a denial for any request for forces for the missions specified in the solicitation.

33. Senator AYOTTE. General Campbell, Admiral Ferguson, General Paxton, and General Spencer, I realize that this administration's revised defense strategy calls for less force structure and greater operational flexibility in certain combatant command areas of responsibility, but in your opinion, will our Armed Forces need to rely more on contractors for these types of services in the future?

General CAMPBELL. The Army will not necessarily need to rely more on contractors to meet the needs of the combatant commands. The defense strategy calls for less structure and greater operational flexibility which requires the Army to further optimize our modular formations allowing them to meet a wider range of missions and provide greater latitude in fulfilling combatant command needs. This may increase reliance on contractors in some areas and decrease the reliance in others. Like today, where resources, force structure, or modular designs are inadequate, the

Army will continue to consider all aspects of risk in determining which capabilities are built into Army force structure and where we can rely on contractor services.

Admiral FERGUSON. While the Navy manpower force structure supports the current military defense strategy, we continually assess the proper mix of Active, Reserve, civilian, and contractor personnel in the planning for our missions. I would anticipate certain missions clearly defined as not inherently military or governmental would be open to increased contractor participation in the future. Inherently military or governmental functions should not be opened to contractors.

General PAXTON. The Services organize, train, and equip forces for use by the combatant commanders. With a force of 182,100 marines, we are able to meet the combatant commanders' most critical needs/requirements. It will be up to the combatant commanders to determine priorities and decide which initially unfilled missions/requirements are delayed, are filled by contractors, or are never filled. The combatant commanders are in the best position to analyze operational risk to their assigned U.S. Forces and determine when contractors are utilized for certain missions, vice U.S. Active or Reserve component military forces.

As the Nation's crisis response force, the Marine Corps is organized, trained, and equipped to conduct expeditionary and amphibious operations across the globe and in the most austere locations without the requirement of contractor or host nation support. We are careful to retain the right balance of logistics capabilities in our Active Forces to enable this expeditionary and amphibious character. However, in a prolonged conflict, where enduring bases are established and manned to support combat personnel, the answer is "yes," we will likely be required to rely more on contractors for logistical sustainment services.

Although the Marine Corps possesses varying degrees of combat service support force structure (equipment/personnel) to sustain our expeditionary and amphibious requirements, we do not possess enough combat service support force structure to provide the enduring level of support of these types of services on the scale provided by the U.S. Army and contractors in Iraq and Afghanistan. As we experienced in Iraq and Afghanistan, contractors free up military personnel and equipment from managing the day-to-day caretaking tasks of base management functions (feeding/laundry/power generation, etc). This allows the warfighter to focus on combat and combat support operations.

General SPENCER. Not necessarily. Utilizing military assets is preferred, but is not always feasible given competing operational requirements and diplomatic sensitivities. In every case, a rigorous analysis will be performed that takes into account the operating environment, legal requirements, availability of military assets, political sensitivities, and capabilities of contractor services. In those cases, where it makes operational and political sense, contractors will be used to support specific operational support missions.

34. Senator AYOTTE. General Campbell, Admiral Ferguson, General Paxton, and General Spencer, what risk does this pose to our military members?

General CAMPBELL. Sequestration risks are putting us on the path to creating a hollow force. We must reduce the Army's overall structure through a drawdown strategy that ensures that we keep a high-quality, mission-capable force to achieve end strength without jeopardizing readiness. Civilian reductions must be determined in advance and be a part of planned strategic human capital decisions to avoid arbitrary cuts that impact readiness. Reductions implemented too quickly risk breaking the All-Volunteer Force social contract, and drastically affect readiness in the near term. Hollowing out the force will also incur greater costs to buy back lost readiness should the force be called to respond to a contingency, and directly increases the risk to our military members going into harm's way.

Admiral FERGUSON. Because the Navy force structure supports the defense strategy, there is no additional risk to Navy military members based on increased service contractors.

General PAXTON. Supported by our recent experiences in Iraq and Afghanistan and other contingencies and crises around the globe, there is no direct risk to our military members by using contractors to support enduring base operations. Although the Marine Corps possesses varying degrees of combat service support force structure (equipment/personnel) to sustain our expeditionary and amphibious requirements, we do not possess enough combat service support force structure to provide the enduring level of support of these types of services on the scale provided by the U.S. Army and by contractors in Iraq and Afghanistan. The use of contracted services frees up military personnel and equipment from managing the day-to-day caretaking tasks of base management functions (feeding/laundry/power generation, et cetera). This allows the warfighter to focus on combat and combat support operations.

General SPENCER. Contractor services are not inherently more risky than organic military operations. All operations are evaluated to ensure that acceptable levels of risk are attainable for a desired mission end state. It is important to understand that though contractor services are available, military assets will still be used if a particular operation warrants the required capability. This decision will be made during the planning phases of each operation and reflects the commander's analysis of operating environment and associated risk.

FLYING HOURS IMPACT OF BUDGET CUTS AND SEQUESTRATION

35. Senator AYOTTE. General Spencer, in your written testimony you correctly state: "The cornerstone of our airmens' ability to provide airpower to the Nation and contribute our core missions to the joint team is their readiness." You also stated: "Readiness is the ability of a unit to provide its designed operational capabilities within the required timeframe." Spending cuts have eliminated 44,000 flying hours through September with the Air Force grounding 17 squadrons, including 12 combat coded squadrons. Some units will be grounded upon return from deployment. That includes the F–22s from the 1st Fighter Wing that are deployed to the Pacific right now to deter Kim Jong Un and stand ready to take action if he makes a wrong step. Are these grounded squadrons tasked to fill COCOMs' operations plans?

General SPENCER. Under sequestration, we've preserved the flying hours for Pacific Air Force's squadrons to ensure these "fight tonight" forces are ready. Although the details of our ability to source Combatant Commander Operational Plans may only be discussed in a classified forum, it can be said that the number of stood down units adversely affects our ability to fulfill Combatant Commander Operational Plan requirements.

36. Senator AYOTTE. General Spencer, what is the impact of our ability to fill all COCOMs' operational requirements?

General SPENCER. The Air Force prioritized which combat-coded squadrons received flying hours to maintain readiness to meet the requirements of Secretary of Defense-ordered missions and to deter any potential adversaries. However, if the Air Force does not receive sufficient funding in fiscal year 2014, we may have to rotationally stand down units again or fly them at reduced readiness rates, similar to the actions we've taken in fiscal year 2013. This sequester-induced readiness deficit will impact our ability to fill operational plans and Secretary of Defense-ordered missions, continue to degrade our depot maintenance and modernization programs, and will significantly erode our training and force development efforts, creating long-term readiness shortfalls. Detailed descriptions of unit taskings and ability to meet operational plans are classified and may only be presented in a classified venue.

37. Senator AYOTTE. General Spencer, how does grounding impact the Air Force's ability to both deter and conduct combat operations, if required, outside of Afghanistan?

General SPENCER. The Air Force prioritized which combat-coded squadrons received flying hours to maintain readiness to meet the requirements of Secretary of Defense-ordered missions. Almost all of these mission-ready units are tasked to Secretary of Defense-ordered missions or forward-based, so the ability of the Air Force to provide requisite numbers of ready forces for emergent requirements is severely limited and will continue to become more difficult the longer we operate under these conditions. Detailed descriptions of unit taskings and ability to meet operational plans requirements are classified and may only be presented in a classified venue.

38. Senator AYOTTE. General Spencer, how many aircrew are impacted by the grounding; how many hours will have to be dedicated to bring all these aircrews back up to mission ready status; and how much will that cost?

General SPENCER. Approximately 750 crew members are assigned to the stood-down units. In order to bring units back to current, sub-optimal readiness levels, it is anticipated the stood-down units would need an additional 10 percent increase over the fiscal year 2014 budget request for flying hours and would require 3 to 6 months.

39. Senator AYOTTE. General Spencer, how will the student pilot pipeline be impacted ... pilot training and the initial qualification training for each of the Air Force's weapon systems?

General SPENCER. Under the Air Force's current plan, we have allocated sufficient flying hours to enable our basic student pilot pipeline production to continue. However, we will potentially experience impacts if there is a civilian furlough because Air Education and Training Command maintenance and simulators are primarily run by government civilians. In addition, the absorption of these future graduates into operational units will be slower due to sequester-induced flying hour reductions. Due to sequestration, we have also curtailed and/or cancelled advanced training courses, such as the Weapons School Instructor course, which will have a significant impact on our ability to maintain the requisite tactical expertise in our operational units.

40. Senator AYOTTE. General Spencer, as the Air Force focuses its flying hours on getting the grounded aircrews mission-ready again, what is the impact on the rest of the force?

General SPENCER. There are myriad second- and third-order effects of sequestration, including the impact on the rest of the force as the stooddown crews return to fly. Since flying hours are contained within our significantly reduced O&M budget, freeing up additional flying hours will adversely impact other training and direct-support accounts such as base operating support, facility maintenance, and professional military education. Overall, the Air Force does not have sufficient O&M funding in fiscal year 2013, and will not in fiscal year 2014, if the President's 2014 budget request is sequestered. In both cases, we are compelled to make difficult choices that impact the whole force.

41. Senator AYOTTE. General Spencer, what are the safety risks associated with reducing Air Force flying hours?

General SPENCER. The Air Force flying hour model identifies required hours, by weapon system, for aircrews to accomplish their assigned missions in a safe and proficient manner. Providing fewer flying hours reduces the readiness of these aircrews and places them at higher risk if they are called upon to execute operational taskings. As we return stooddown units to combat mission readiness, doing so safely will remain a top priority.

42. Senator AYOTTE. General Spencer, we know this will impact our aircrews and their readiness. How will the groundings impact the readiness of other mission essential personnel such as munitions, maintenance, and life support?

General SPENCER. Units which have stood down flying operations are focusing their efforts on preserving skill sets vital to our maintenance, munitions, and life support operations. Aircraft not committed to flying operations, and those that have stood down, are being used to facilitate on-the-job training for personnel in upgrade training as well as for specialized field training courses. Despite the fact internal business rules have been put in place to ensure limited resources are allocated correctly across the enterprise, these efforts only slow the loss of proficiency and individual training progression remains limited. Lack of training opportunities limits our workforce's ability to attain and maintain required skill sets and reduces the Air Force's ability to cultivate a well-trained/qualified force which ultimately will lengthen our readiness recovery period.

43. Senator AYOTTE. General Spencer, the Air Force starts fiscal year 2014 with a backlog of flying hours requirements but the fiscal year 2014 budget does not include extra funding for these hours and it does not factor in sequestration. Can the Air Force return its total force back to required mission ready status in fiscal year 2014 given these budget impacts?

General SPENCER. No, the fiscal year 2014 budget does not factor in sequestration and was submitted before fiscal year 2013 sequestration was in place. Consequently, we cannot return the Active Force back to required readiness. The Air National Guard and Air Force Reserve Command readiness programs were not significantly affected by sequestration. We will manage our readiness levels as best we can with the funding provided in fiscal year 2014, but there will continue to be considerable negative impacts to readiness if critical readiness accounts (such as flying hours and weapon system sustainment) are not adequately funded in the future.

As we enter fiscal year 2014, we will focus on returning units that have been stood down to operational levels of readiness to prevent further erosion in their capabilities. However, if we do not receive sufficient funding in fiscal year 2014, we may again have to rotationally stand down units, or fly them at reduced readiness rates, similar to the actions we've taken in fiscal year 2013. This sequester-induced non-combat ready posture of portions of our fleet will impact our ability to fill operational plans and Secretary of Defense-ordered missions, continue to degrade our

depot maintenance and modernization programs, and will significantly erode our training and force development efforts, creating long-term readiness shortfalls. Overall, this lack of readiness prevents us from attaining required mission ready status in fiscal year 2014, creates heightened risk, and is incompatible with the defense strategy.

DEPOT IMPACT OF BUDGET CUTS AND SEQUESTRATION

44. Senator AYOTTE. General Spencer, the Air Force has been at war for the past decade in both Afghanistan (2001) and Iraq (2003), and it has been constantly deployed conducting combat operations for over 20 years. This has taken a toll on its aircraft. The Air Force is planning to fund weapon system sustainment to 81 percent of the fiscal year 2014 requirement using funds from the base budget as well as OCO funds. Do you know what the OCO funds will be?

General SPENCER. The Air Force has requested $1.76 billion in OCO funding for weapon system sustainment in the fiscal year 2014 President's budget.

45. Senator AYOTTE. General Spencer, what have you requested?

General SPENCER. The Air Force has requested $1.76 billion in OCO funding for weapon system sustainment in the fiscal year 2014 President's budget.

46. Senator AYOTTE. General Spencer, do you expect to be fully funded?

General SPENCER. The Air Force requests full support of the President's budget to fund our requirements. We will likely see additional unfunded requirements in fiscal year 2014 as a result of deferred workload in fiscal year 2013 due to sequestration.

47. Senator AYOTTE. General Spencer, as you have stated, depot delays will result in aircraft grounding, degradation of workforce proficiency and productivity, and increased costs. You have also stated that it can take 2 to 3 years to recover full restoration of depot workforce productivity and proficiency. What are the safety risks associated with reducing depot maintenance?

General SPENCER. There are no safety risks. The reduced depot maintenance is a result of fewer depot inductions, but does not affect quality of maintenance. Those aircraft and engines not inducted will be grounded (not flown) until the required depot maintenance can be performed.

48. Senator AYOTTE. General Spencer, the Air Force is on track to start fiscal year 2014 with a backlog of depot and maintenance requirements, but the fiscal year 2014 budget does not include extra funding and it does not factor in sequestration. Can the Air Force fully restore readiness in fiscal year 2014 given these budget impacts?

General SPENCER. No, the fiscal year 2014 budget does not factor in sequestration and was submitted before fiscal year 2013 sequestration was in place. Consequently, we cannot return the Active Force back to required readiness. The Air National Guard and Air Force Reserve Command readiness programs were not significantly affected by sequestration. We will manage our readiness levels as best we can with the funding provided in fiscal year 2014, but there will continue to be considerable impacts to readiness if critical readiness accounts (particularly weapon system sustainment, to include organic and contract depot maintenance programs) are not fully funded in the future.

As we enter fiscal year 2014, we will focus on accomplishing deferred depot and maintenance activities to ensure adequate aircraft availability for flying squadrons to properly train and deploy. If we do not receive sufficient funding in fiscal year 2014, we may have to rotationally standdown units, or fly them at a reduced rate, similar to the actions we've taken in fiscal year 2013. This sequester-induced noncombat ready posture of a portion of our fleet will impact our ability to fill operational plans and Secretary of Defense-ordered missions, continue to degrade our depot maintenance and modernization programs, and will significantly erode our training and force development efforts, creating long-term readiness shortfalls. Overall, this lack of readiness prevents us from attaining required mission ready status in fiscal year 2014, creates heightened risk, and is incompatible with the defense strategy.

49. Senator AYOTTE. General Spencer, is the Air Force assuming the fiscal year 2014 budget becomes law on October 1, 2013?

General SPENCER. We would like to see enactment of the fiscal year 2014 Defense Appropriations Act by October 1, 2013.

50. Senator AYOTTE. General Spencer, what happens to readiness of the Air Force fleet of aircraft if this does not happen?

General SPENCER. If we do not receive sufficient funding in fiscal year 2014 for weapon system sustainment accounts, to include depot and maintenance programs, aircraft availability rates across the Air Force will likely decrease, which will have an adverse impact on readiness. In addition, weapon system sustainment reductions tend to have longer-term impacts, e.g., depot deferrals have cascading impacts on future depot schedules, so reductions in fiscal year 2013 will impact fiscal year 2014 and beyond. These impacts cannot be solved solely by increased funding; depot capacity limits our ability to recover from deferrals.

ARMY READINESS

51. Senator AYOTTE. General Campbell, the fiscal year 2014 President's budget request for Army O&M exacerbates existing fiscal year 2013 readiness challenges from which it will take years to recover. From your written testimony, I understand that the Army has already curtailed or canceled seven major training exercises for those units not preparing to deploy and will defer depot maintenance activities. From your experience, how can the Army recover from the steps you have had to take in the current fiscal environment?

General CAMPBELL. Fiscal year 2013 budget uncertainty has delayed the Army's ability to refocus the training of contingency forces on conventional threats and required the Army to accept risk in meeting force deployment timelines in Combatant Commander Operational Plans. Only units with high-priority missions were able to fully prepare. Lower priority units will not be able to fully execute broader-focused training strategies since they must constrain training activity to the squad/crew/team level.

As soon as we can provide forces with the resources they need to execute their full training strategies, as reflected in the President's fiscal year 2014 budget submission, they will be able to progressively build readiness for a broader range of missions. We will manage limited training assets (like CTC rotations) as best we can to support the training progression of priority units. A unit must go through all the steps of building proficiency, and a brigade combat team is not considered fully ready for decisive action until it has completed a training rotation at a maneuver CTC. Even with additional funding for CTC rotations, units at squad-level proficiency at the end of fiscal year 2013 would not have time to adequately prepare to benefit from a CTC rotation early in fiscal year 2014. Time required by non-deploying forces to restore readiness in fiscal year 2014 will depend largely on how far their readiness slips in fiscal year 2013.

With additional funding, Army force readiness would benefit from additional maneuver CTC rotations and additional warfighter exercises (designed to train BCT, division and corps level staffs). Unfortunately, there is a time component of readiness. We are now going to go through a period where we need to buy back readiness to prepare forces for next year. Even with full access to additional training resources in fiscal year 2014, it will take a BCT approximately a full year to reset and train-up for another mission—assuming they will have access to required training support facilities and ranges.

52. Senator AYOTTE. General Campbell, does the Army need a fiscal year 2013 supplemental funding request?

General CAMPBELL. The Army may need a fiscal year 2013 supplemental funding request to ensure adequate resources are available to support ongoing contingency operations. The Department recently submitted two reprogramming actions for fiscal year 2013 that uses all the OCO special transfer authority and all but $200 million of general transfer authority for fiscal year 2013. Congressional approval of the reprogramming actions as submitted will help reduce Army's current OCO shortfall from $8.3 billion to $3.3 billion. The Army is continuing to work with U.S. Force-Afghanistan and all other OCO stakeholders to reduce the remaining $3.3 billion shortfall. If unsuccessful, the Army may have to submit a request for supplemental funding later in fiscal year 2013.

MARINE CORPS READINESS

53. Senator AYOTTE. General Paxton, prior to the Continuing Resolution, the Commandant described a steady deterioration in Marine Corps readiness should there be an annualized Continuing Resolution and the implementation of sequestration. Now that Defense appropriations have been passed for fiscal year 2013, DOD still must implement $41 billion in sequestration cuts. From your experience, how do you assess the Marine Corps' ability to recover from the steps you have had to take in the current fiscal environment?

General PAXTON. America's "Force in Readiness" must maintain a high state of readiness at all times to be able to respond to contingencies and commitments throughout the globe. Despite the constrained funding resulting from sequestration, the passing of H.R. 933 mitigated most of the near-term operational impacts in fiscal year 2013. The Marine Corps will meet near-term readiness commitments for deployed and next-to-deploy forces and will continue to rebalance to the Pacific and support the Marine Rotational Force Darwin and the Unit Deployment Program.

While the Marine Corps is capable of meeting near-term readiness commitments in fiscal year 2013, we have taken risks in our long-term infrastructure sustainment and the unit readiness of our home station units. We cannot continue to sustain these levels of reductions in fiscal year 2014 without immediate impact to our deployed and next-to-deploy forces and our nondeployed crisis response forces at home.

Sequestration's impacts on the availability of amphibious and maritime prepositioning ships are a concern for maintaining the Marine Corps' forward amphibious presence. The combat readiness of these ships is a foundational requirement for training and executing expeditionary force presence and amphibious force projection operations. As such, reduced amphibious ship availability and readiness could present a significant challenge to the training and maintenance of Naval Expeditionary Forces, thus driving overall readiness levels lower. Continued congressional support for the Navy's shipbuilding and surface ship-to-shore connector programs is vital to retain and maintain an adequate fleet of modern combat-ready amphibious ships.

54. Senator AYOTTE. General Paxton, what concerns do you have for Marine Corps readiness as you enter fiscal year 2014?

General PAXTON. DOD and the Marine Corps are still examining the implications of sequestration continuing into fiscal year 2014; however, we believe the Marine Corps can sustain its current operational requirements into fiscal year 2014. To maintain the high readiness of our forward-deployed forces, the Corps has globally-sourced equipment and personnel for Afghanistan and other emerging threats from its nondeployed units. These nondeployed forces' principal readiness challenge is the reduced availability of equipment at home station with which to outfit and train units. The manning of home station units also suffers due to the need to meet enhanced personnel requirements for deploying forces, Joint Individual Augmentation requirements, and manning Security Force Assistance Teams.

The primary concern with the out-of-balance readiness of the operating forces is increased risk in the timely response to unexpected crises or large-scale contingency, since those nondeployed forces will likely be the responders. Efforts to maintain the readiness of all of our forces may be further exacerbated if the O&M account is diminished and an annualized Continuing Resolution or sequestration is implemented in fiscal year 2014.

An annualized Continuing Resolution and/or sequestration in fiscal year 2014 would also adversely impact the availability of amphibious and maritime prepositioning ships. The combat readiness of these ships is a foundational requirement for training to and executing expeditionary force presence and amphibious force projection.

READINESS REPORTING

55. Senator AYOTTE. General Campbell, Admiral Ferguson, General Paxton, and General Spencer, I am interested in knowing about readiness reporting requirements through the quarterly readiness reports. Are the reports useful to you in planning? If not, why?

General CAMPBELL. The Quarterly Readiness Report to Congress (QRRC) is useful in describing the operational overview of deployed and forward stationed soldiers, the Army's top readiness concerns, and supports the Joint Staff's effort to communicate DOD's current readiness posture.

The Army is developing AR 525–XX–B, Army Strategic Readiness. This process will inform the quarterly readiness reports. The Army Strategic Readiness process

will enable the Army to obtain a holistic view of Army Readiness. The Army staff elements will conduct detailed analysis of relevant readiness metrics associated with the six strategic readiness tenets (SRT) of manning, equipping, sustaining, training, installations, capacity, and capability. This analysis will encompass current and historical trends ranging from tactical unit readiness (i.e. unit status reporting trends) to aggregated analysis and prediction of critical elements supporting the six SRTs. Combined, these assessments will support Senior Leader decisionmaking processes across a range of DOD forums.

Admiral FERGUSON. The QRRC helps inform our fundamental analysis of current readiness and readiness trends and is useful to Navy's planning process. The QRRC information is also evaluated in concert with the real time readiness reporting by individual units and group commanders, the narrative reporting by our Fleet and Naval Component Commanders, and in support of assessments of the Joint Force readiness. The resulting comprehensive readiness analysis is used to inform our decisionmaking processes across the full range of Navy man, train, and equip responsibilities.

General PAXTON. The information contained in DOD QRRC is principally constructed to report military readiness to Congress per section 482, title 10, U.S.C. Some of the information in the QRRC, particularly that pertaining to the Chairman's Joint Force Readiness Review and Joint Combat Capability Assessment, reflect the Marine Corps' inputs for joint planning, readiness reporting, and risk assessments. Those inputs are useful both for Service planning and Joint Force planning.

General SPENCER. The Air Force submits our QRRC to the OSD who then compiles and submits the report to Congress. The QRRC requirements are dictated by title 10, U.S.C., and the Air Force provides the information required by the statute. This specific report is not used as a planning document; however, the Air Force closely monitors readiness from myriad sources and incorporates the information into planning, programming, and budgeting processes.

56. Senator AYOTTE. General Campbell, Admiral Ferguson, General Paxton, and General Spencer, what systems do you use internally to track readiness trends?

General CAMPBELL. Unit commanders measure their unit readiness using the four functional areas of Manning, Equipping, Equipment Readiness, and Training. The unit overall readiness levels are reported using Core Mission (C) levels and Assigned Mission (A) levels. The C level assessment indicates the ability of the unit to accomplish its core mission while the A level assessment indicates the unit's ability to accomplish its directed mission currently assigned. Headquarters, Department of the Army uses numerous processes to measure readiness in addition to the Commanders Unit Status Report, the Joint Forces Readiness Review to Congress, the Strategic Readiness Update, and the QRRC. Additionally, we analyze command feedback from the Combatant Commanders Integrated Priorities List, Critical Needs Assessments, Mid-Year Review, Operational Needs Statements, Joint Manning Documents, and Equipment Enterprise Reuse Conference. As our processes evolve, we look forward to developing a tool for predictive analysis to project readiness changes in the budget execution and forecast readiness concerns across the Future Years Defense Plan.

Admiral FERGUSON. Navy uses a variety of databases and a business intelligence tool to mine readiness trends. The Navy Readiness Reporting Enterprise (NRRE) database is the primary system through which Navy manages a series of subsystems that collect readiness information. The most significant of these subsystems is the Defense Readiness Reporting System-Navy. To increase the breadth of information available for readiness analysis, data is also collected from other systems outside the NRRE. One example is the Maintenance Figure of Merit database, which provides access to shipboard systems and material condition readiness of ships. Additionally, the quarterly Integrated Fleet Readiness Report tracks Fleet platform operational availability and readiness production metrics for the Chief of Naval Operations using a variety of data sources.

General PAXTON. The system used by the Marine Corps to track readiness trends is the program of record DRRS–MC. Commanders' assessments are inherently part of the DRRS–MC reporting system and provide operational perspective in terms of unit design mission capability and readiness.

General SPENCER. The Air Force uses the Status of Resources and Training System (SORTS) and the Defense Readiness Reporting System (DRRS) to track readiness trends. SORTS focuses on resources (people, equipment, and training), and DRRS focuses on capabilities. Further, there are many other indicators of readiness that are tracked by the Air Force, such as funding for flying hours, weapons system sustainment, training resources, and personnel readiness metrics.

57. Senator AYOTTE. General Campbell, Admiral Ferguson, General Paxton, and General Spencer, do you have suggestions for alternative reporting mechanisms?

General CAMPBELL. Presently, the Army is developing AR 525–XX–B, Army Strategic Readiness. This regulation will define Army Strategic Readiness and codifies the concept for developing the Army Strategic Readiness Assessment. The Army will track leading indicators across the six strategic readiness tenets of manning, equipping, sustaining, training, installations, capacity, and capability in order to provide a holistic view of Army readiness. Upon analyzing the leading indicators and associated trends, the Army staff will be able make readiness projections and recommend courses of actions to Senior Army leaders in efforts to mitigate impacts upon Army readiness at the strategic level. The Army Strategic Readiness Assessment will inform existing external reports such as the Joint Force Readiness Review and the QRRC.

Admiral FERGUSON. Navy would not recommend establishing alternative reporting mechanisms, although we will support adjustments to current reporting that the OSD and Congress determine should be made. For example, we are currently working with OSD to provide additional narrative context to the information provided in the QRRC.

General PAXTON. The DRRS enterprise is the best readiness reporting system for DOD. The system used by the Marine Corps to track readiness trends is the program of record DRRS–MC. With this readiness reporting system, commanders' assessments are an inherent part of the reporting process and they provide an operational perspective in terms of a unit's designed mission capability and its readiness to execute those missions. No alternatives are currently recommended.

General SPENCER. In a constrained fiscal environment, we are hesitant to advocate for additional reporting systems. However, the Air Force continues to analyze mechanisms for aggregating and synthesizing data from the various existing input sources in order to provide decision-quality strategic level readiness input for operational planning, force presentation, and the programming and budgeting processes.

58. Senator AYOTTE. General Campbell, Admiral Ferguson, General Paxton, and General Spencer, what will tell you we have reached a readiness crisis?

General CAMPBELL. There will not be one signature event to indicate a "readiness crisis." Rather, the long-term impacts of sequestration and the associated out-year reductions, particularly to force structure and readiness, threaten the Army's ability to provide trained and ready forces to perform enduring and vital missions. If steep cuts are made in fiscal year 2014 and beyond, this will create imbalance and significantly compound risk. It will cause a disproportionate investment across manpower, O&M, modernization, and procurement, challenging our ability to sustain appropriate readiness in the near term in support of our current defense strategy. Together, these impacts will further negatively impact Army readiness.

Admiral FERGUSON. A ready force has properly equipped and maintained ships and aircraft, crewed by trained and proficient sailors, with adequate spare parts and technical support, sufficient fuel and ready ordnance to execute mission requirements and contingency operations. Forces should be available to meet adjudicated Global Force Management Plan requirements. Sufficient surge capacity should exist to provide the combatant commander trained forces for crisis response as delineated by the National Defense Strategy.

Failure to meet these standards would cause me to have concerns regarding the readiness of the force.

General PAXTON. Enabling close and continual Service command interactions and communications, the DRRS–MC; and Service-level personnel, materiel, installation, medical, and other data systems help to inform Marine Corps leadership with respect to the status of the five institutional readiness pillars. Service-level readiness is then integrated with the Joint DOD community through the Chairman's Readiness System to measure the military's preparedness to achieve objectives as outlined by the NMS. These processes will inform the Marine Corps and enable it to inform Congress before the Service reaches a readiness crisis.

General SPENCER. The Air Force has conducted 22 years of sustained combat operations and is continuing to meet high operation tempo demands to support today's counterinsurgency-centric fight. This has inevitably taken a toll on our weapons systems, people, and ability to meet the full spectrum of current and potential warfighter requirements. The Air Force provides unique capabilities for rapid response to taskings worldwide and response times are measured in hours, not days.

The proper execution of the core missions our joint and allied partners rely on require our forces to be ready now. Combatant Commander Operational Plans do not provide the time for the Air Force to recover from a tiered readiness posture. The net effect is a requirement to maintain a high state of readiness across the

Total Force, at all times. Pre-sequestration, the Air Force was already below acceptable readiness levels and sequestration has significantly exacerbated the situation. The Air Force will require additional resourcing above the President's fiscal year 2014 budget request, operation tempo relief, and at least 2 years to recover to required readiness levels.

59. Senator AYOTTE. General Campbell, Admiral Ferguson, General Paxton, and General Spencer, what is the plan to address these impacts?

General CAMPBELL. Readiness degradation will stop as soon as we can support execution of unit-level training strategies and protect professional military education, at least to the levels supported by the President's fiscal year 2014 budget submission. The budget submission protects initial military training and professional military education as a hedge against a hollow force, supports training in Active Army units at moderate risk, preserves investment in an operational Reserve component as required by Army force generation models, and supports critical requirements of the training support system in the near term.

The budget submission does not provide funding to accelerate recovery. With additional funding, Army readiness would benefit from additional maneuver CTC rotations and additional warfighter exercises (designed to train a BCT, division, and corps level staffs).

Admiral FERGUSON. Guided by the CNO's three tenets—"Warfighting First; Operate Forward; and Be Ready," Navy has taken actions to ensure the readiness of our units in the fight and all those operating forward. We are also focused on ensuring the readiness to deploy those forces planned to support the combatant commanders under the adjudicated GFMAP for the remainder of fiscal year 2013 and through fiscal year 2014. The funding provided in the fiscal year 2014 budget submission, with anticipated OCO funding, will support improved readiness in our nondeployed forces by the end of fiscal year 2014.

Should fiscal year 2014 funding be sequestered, Navy will follow these same general principles, but we will not be able to fully support the fiscal year 2014 GFMAP as currently configured, and readiness of nondeployed forces will further degrade rather than recover. We are working with OSD, the Joint Staff, and the other Services in the SCMR to determine what further steps may be necessary to sustain a ready force in those circumstances.

General PAXTON. America's "Force in Readiness" must maintain a high state of readiness at all times to respond to contingencies and commitments throughout the globe. Despite the constrained funding resulting from sequestration, the passing of H.R. 933 will mitigate most of this year's near-term operational impacts from sequestration. The Marine Corps will meet its near-term commitments for deployed and next-to-deploy forces. It will continue to rebalance to the Pacific and support the Marine Rotational Force Darwin and the Unit Deployment Program.

The funding levels for depot maintenance allow for the continuation of planned reset activities. H.R. 933 supports recruiting, advertising, and restores funding for tuition assistance programs. The fiscal year 2014 budget, if approved, would help put the Marine Corps on a trajectory to reconstitute its combat capability. It would continue the transition to a post-OEF Marine Corps that complies with strategic guidance and is capable across the range of military operations.

General SPENCER. Bringing the Air Force back to full-spectrum mission readiness goals requires one full training cycle (approximately 2 years) and additional resources above the President's 2014 budget request (approximately $3.2 billion increase in fiscal year 2014 and approximately $3.2 billion increase in fiscal year 2015) as well as a reduction in the number of deployment units currently are ordered to fulfill. The Air Force continues to plan for alternate funding and operation tempo scenarios, which will drive readiness recovery beyond 2 years and, in many cases, will not permit readiness recovery to acceptable levels.

60. Senator AYOTTE. General Campbell, Admiral Ferguson, General Paxton, and General Spencer, when will Congress be notified of mitigation measures?

General CAMPBELL. Given the dynamic fiscal environment, there are still significant risks to the areas of collective training, equipment readiness, personnel impacts, and facility sustainment and modernization. The budget submission does not provide funding to accelerate recovery. Therefore, at this time, we do not have a timeline on when any mitigation measures may be instituted.

Admiral FERGUSON. Navy's approach to mitigating the impacts of the initial Continuing Resolution and then sequestration of fiscal year 2013 funding has been the subject of testimony before Congress and discussed widely in other venues. We are working within the OSD SCMR to consider broad options in response to the potential for further reductions in DOD's top line in fiscal year 2015 and beyond. The

Navy will work with OSD and the other Services to develop a budget that maximizes capability within the limits of the funding provided to us. Notification of Congress will be concomitant with the budget submission by the Department.

General PAXTON. Congress is provided the QRRC in accordance with title 10, U.S.C. statutory requirements. This report is prepared by the Office of the Under Secretary of Defense for Personnel and Readiness. It contains the status of the Department's readiness and the risks it faces in executing the National Military Strategy. As part of the Chairman's Readiness System, the Marine Corps also participates in the Joint Combat Capability Assessment process, which assesses and reports on DOD's readiness to execute the National Military Strategy. The Marine Corps also participates in the Chairman's Risk Assessment and the Secretary's Risk Mitigation Plan. In the latter document, for instance, the Marine Corps stated in 2012 that one of its risk mitigations was to regain proficiency in amphibious operations and reposture to the Pacific. The Marine Corps will also provide testimony as requested.

The Marine Corps is participating in the SCMR. The SCMR will examine choices underlying the defense strategy, force structure, investments, and institutional management. The SCMR will help define major decisions that will inform the 2014 budget execution, guide the Quadrennial Defense Review (due to Congress in February 2014), and inform DOD's 2015 budget submission.

General SPENCER. The Air Force will continue to inform Congress of our ongoing mitigation measures during future readiness and posture hearings.

VIRGINIA–CLASS ATTACK SUBMARINES

61. Senator AYOTTE. Admiral Ferguson, how is the *Virginia*-class submarine performing operationally and as a program?

Admiral FERGUSON. The *Virginia*-class continues to be a highly successful acquisition program with ships consistently delivering early and within budget. Nine ships have delivered, the last being USS *Mississippi* (SSN 782), delivered 1 year ahead of schedule with a Navy Board of Inspection and Survey (INSURV) rating of "green" in all 22 areas. The last ship of the Block II increment is USS *Minnesota* (SSN 783) and is on schedule for a June 2013 delivery. All eight of the Block III ships have been funded with seven under construction. Block IV is on track to be awarded in October 2013. Overall, the program increased production to two ships per year in fiscal year 2011, starting with the construction of USS *Washington* (SSN 787) in September 2011, with a follow-on multi-year procurement contract for 10 ships in fiscal year 2014–fiscal year 2018.

Delivered ships are exceeding expectations for operational performance, with five ships already completing successful full length, worldwide deployments: USS *Virginia* (SSN 774), USS *Texas* (SSN 775), USS *Hawaii* (SSN 776), USS *North Carolina* (SSN 777), and USS *New Hampshire* (SSN 778). *Virginia*-class ships are preferentially assigned our most challenging missions and have performed superbly. Specific mission highlights are available at the appropriate classification level.

62. Senator AYOTTE. Admiral Ferguson, what critical capabilities does it provide our combatant commanders?

Admiral FERGUSON. *Virginia*-class submarines dominate the undersea domain and allow us to "tunnel underneath" an adversary's A2/AD systems. Their stealth, intelligence collection capability, and combat power give us access with influence to maintain overmatch—the ability to produce asymmetric effects by operating freely in the adversary's backyard—and are the mainstays of the conventional deterrence provided by our undersea force. In peacetime, *Virginia*-class submarines collect critical intelligence in support of national, combatant commander, and fleet tasking, as well as providing forward presence and warfighting readiness and flexibility.

63. Senator AYOTTE. Admiral Ferguson, what percentage of COCOM requirements for attack submarines was the Navy able to support in fiscal year 2012?

Admiral FERGUSON. COCOM requirements, including those for submarines, are sourced using the Global Force Management (GFM) process. For fiscal year 2012, COCOM unconstrained demand was 18.77 submarines for worldwide SSN presence. The Navy met 100 percent of the GFM adjudicated requirement of 9.94 submarines deployed.

64. Senator AYOTTE. Admiral Ferguson, as *Los Angeles*-class submarines retire in the coming years and we fail to replace them quickly enough with *Virginia*-class

submarines, our number of attack submarines will drop from 54 today to 43 in 2030. As a result, how much will our undersea strike volume decline?

Admiral FERGUSON. Undersea strike volume will decrease by approximately 63 percent in the 2030 timeframe due to two factors: SSN force structure reductions and SSGN retirement.

The Navy is examining options to mitigate SSN shortfall, including: life extension for select *Los Angeles*-class submarines, decreased build time for new construction of *Virginia*-class submarines, and extended deployments for SSNs.

Additionally, the Navy is examining an option to increase strike volume via a payload module inserted into future *Virginia*-class SSNs that would restore approximately 94 percent of our current undersea strike volume.

65. Senator AYOTTE. Admiral Ferguson, in order to at least partially address this decline in undersea strike volume, how important is it that we go forward with the Virginia payload module (VPM)?

Admiral FERGUSON. Undersea strike contributes to our ability to counter adversary A2/AD capabilities while providing additional attack capacity in our submarine force.

The VPM could potentially more than triple the vertical launch capacity in current *Virginia*-class ships. VPM provides an additional four large diameter payload tubes per *Virginia*-class SSNs. VPM could replace the undersea strike volume gap created by the retirement of the SSGNs. The current advanced engineering design work on VPM will enable the Department of the Navy to consider incorporating VPM in the fiscal year 2019 Block V *Virginia*-class buy.

While VPM represents a significant improvement in strike capacity, it comes at a cost. Given the increased costs, VPM would introduce in the *Virginia*-class concurrent with our efforts to field the SSBN(X) replacement, it may render VPM unaffordable as we assess the future fiscal impact of sequestration.

DEFENSE INDUSTRIAL BASE

66. Senator AYOTTE. General Campbell, Admiral Ferguson, General Paxton, and General Spencer, what role does our Defense Industrial Base (DIB) play in our military readiness?

General CAMPBELL. The role that the DIB plays in our military readiness is of paramount importance. Our DIB provides the products and services in a timely manner to serve the needs of the warfighter. The DOD is pursuing efforts to ensure robust, secure, resilient, and innovative industrial capabilities upon which it can rely to fulfill warfighter requirements. DOD is assessing the health of the industrial base sectors by providing detailed analyses and in-depth understanding of the increasingly global, commercial, and financially complex industrial supply chain essential to our national defense, and recommending or taking appropriate actions to maintain the health, integrity, and technical superiority of that supply chain. DOD is addressing the challenges of critical and fragile elements of the base to identify systemic and fundamental issues that can be resolved through engagement across the public and private sectors. DOD is also pursuing innovation within supply chain sectors and supports responsible investment to advance industrial productivity through a variety of authorities and programs, including the sector-by-sector/tier-by-tier assessment, the Defense Production Act, and the Manufacturing Technology program, among others.

Admiral FERGUSON. A strong DIB is vital to our Navy and Marine Corps sustaining our position as the preeminent naval force in the world. We depend on the DIB to build and maintain our weapon systems, develop new systems to pace evolving threats, and provide surge industrial capacity to meet crises.

The human capital of the industrial base is the foundation of our technological advantage against potential adversaries and ensures we remain a dominant naval force. Competition and innovation provide us the ability to control costs in an environment of reduced defense spending. The capacity resident in our industrial base to build ships, aircraft, and submarines is a strategic hedge in an uncertain future.

General PAXTON. The Marine Corps' organic industrial base plays a critical role in our ability to sustain a high rate of equipment readiness in our operational forces and is central to the Marine Corps' role as the Nation's force in readiness. The bulk of our reset execution is occurring in our organic depots. The continued availability of our ground equipment depot capacity in both Barstow, CA, and Albany, GA, is essential for reset and our ability to both self-generate readiness and surge in response to demand. The broader DIB is just as critical to our Service readiness. Like our sister Services, the Marine Corps depends on a robust and capable defense in-

dustry to develop, field, and maintain high-quality equipment and services that provide our warfighters with unsurpassed technological advantage.

General SPENCER. The readiness of the Air Force to provide the capabilities inherent in global vision, global reach, and global power is sustained by the products and services purchased from the national technology and industrial base. Without the support of both the organic and the commercial components of the industrial base, the Air Force would not be ready to respond to the needs of the Nation. From the laces in our boots to the electronics in our air, space, and cyber systems, the Air Force draws upon a broad and diverse network of suppliers. Through this dynamic network, we equip our airmen; maintain our bases, laboratories, and ranges; modernize our current systems; and design, develop, and procure new capabilities to remain the world's preeminent Air Force.

67. Senator AYOTTE. General Campbell, Admiral Ferguson, General Paxton, and General Spencer, what impact has sequestration had on our DIB?

General CAMPBELL. Sequestration has had a significant impact on our industrial base, especially as we face uncertainty in our long-term budgets. In the current fiscal year, we have deferred 50 percent of third and fourth quarter depot maintenance for fiscal year 2013. In the short term, the deferred depot maintenance requirements will have minimum to moderate risk on readiness, but the prospect of long-term fiscal uncertainty will significantly affect the industrial base with associated risks to equipment readiness and impact our core requirements and critical skills.

Admiral FERGUSON. There are several aspects to our DIB and each sector is being impacted differently. In the case of new ship construction, the near-term impacts to the prime contractors have been relatively minor with some slowdowns in contract awards. However, those slowdowns impacted subcontractors, which supply much of the material used by the primes. These suppliers represent, in many cases, small businesses that can ill afford breaks in their production lines.

The surface ship maintenance industrial base depends on conventional surface ship maintenance availabilities which the Navy sends to the private sector. The uncertainty in available work and the contracting delays for this maintenance has significantly affected the ship maintenance industrial base. Even when we are able to restore ship availabilities, several of these businesses may have lost critical skilled trades.

In aviation, we have already considered reduced quantities of aircraft, which generally causes the cost of the remaining units to increase, and places our aviation subcontractor industrial base at risk. We are seeing this trend in weapons procurement programs as well.

For new systems, we are seeing delays to fleet introduction schedules, impacts to our ability to purchase systems in economic quantities, and higher overall program costs.

General PAXTON. The Marine Corps' depot workload is fully funded for fiscal year 2013; however, the recently announced 11-day civilian workforce furlough could potentially delay or defer scheduled maintenance. The challenge in mitigating the effects of the furlough will be maintaining the density in skill sets required to complete the fiscal year 2013 workload on schedule. Delayed or deferred maintenance caused by the furlough could result in additional carryover of fiscal year 2013 work into fiscal year 2014 and could create a ripple effect that would ultimately degrade readiness and delay completion of reset.

General SPENCER. The primary or first order impacts of sequestration have been on our airmen, military and civilian, on our readiness, and on our modernization programs. We are still in the very early stages of being able to identify and potentially assess the secondary impacts of sequestration, including those on the industrial base. It is similar to watching a river at flood stage. Observers can know exactly how high the river will crest, but not exactly where or when the water will spill beyond the banks. What begins as a small leak may lead to a cascade.

For example, the Air Force has curtailed flying for some combat ready units. The readiness of the pilots and maintainers immediately begins to decline. The base purchases less jet fuel, uses fewer expendable parts and supplies, and the time interval between inspections based on flying hours lengthens. In turn, these reductions in demand flow across the organic and commercial industrial base supply chains. Large suppliers with a diverse customer base are like homeowners who live on high ground. The flood is around them but it doesn't touch them. Small or specialized suppliers who depend primarily on Air Force demand are like those who live in the flood plain watching anxiously as the water approaches. For them it is just a question of how high the water will get. Will it stop at the doorstep or leave only the rooftop visible? Neither the Air Force nor DOD has the ability to know exactly where or exactly how bad the impacts will be.

The impacts go beyond the DIB to all those individuals and companies in our Nation's economy who provide goods and services to the Air Force. For example, the Air Force has severely limited official travel for temporary duty. We are making fewer airline and hotel reservations and have reduced the demand for food and transportation services at formerly frequented travel destinations. Again some industries will be impacted more than others, but the Air Force has no capability to predict which industries may be impacted and, if they are, to what extent.

At this very early stage of sequestration, the Air Force can only accurately report on the size of the cuts, the immediate impacts to Air Force readiness, the delays to our modernization programs and provide preliminary estimates of restoring readiness and overcoming the delays in projects and programs. It is too soon to know the specifics of exactly where or exactly how significant the impacts of sequestration may be on the DIB and the Nation's economy.

68. Senator AYOTTE. General Campbell, Admiral Ferguson, General Paxton, and General Spencer, what will be the impact on our DIB if we allow sequestration to continue this year and next?

General CAMPBELL. The impact on our DIB if we allow sequestration to continue this year and next will be moderate to high. While it is too early for the Army to identify specific impacts associated with long-term sequestration on the DIB, the prospect of significant reductions and fiscal uncertainty are having some effect. Beyond fiscal year 2013, sequestration may result in the elimination or substantial modification of Army modernization programs, which will further affect the health of the industrial base. The Army is currently monitoring the stability of the DIB through active engagement in the following efforts:

- The Department-wide sector-by-sector/tier-by-tier industrial base analysis that establishes early warning indicators of risk, particularly at lower-tiers, to strengthen the supply chain and to mitigate potential points of failure;
- The Industrial Base Baseline Assessment that conducts a sector/sub-sector assessment of programs identified as critical by Program Executive Offices and Life Cycle Management Commands and determines the impact of reductions in funding to program requirements; and
- The AT Kearney industrial base assessment that seeks to develop viable strategic alternatives to sustain the Combat Vehicles Industrial Base within a constrained fiscal environment.

Admiral FERGUSON. As the Assistant Secretary of the Navy for Research, Development, and Acquisition, the Deputy Chief of Naval Operations and Deputy Commandant of the Marine Corps testified to the House Armed Services Committee in February of this year, the Department of the Navy's $7.8 billion sequestration investment reduction would potentially impact over 100,000 private sector jobs across the Nation considering direct and indirect impacts to the economy. If sequestration continues this year and the next, these impacts would continue to be realized with the resulting loss of industry capability to produce defense equipment in the long run accompanied by a reluctance of the capital markets to invest in the defense sector.

General PAXTON. The long-term impact of sequestration is degraded readiness. The Marine Corps will have to closely scrutinize and determine equipment maintenance priorities, assume risk in mission-essential weapon system readiness, delay normal depot sustainment, and potentially delay reset operations. Our efforts to maintain the readiness of the deployed force and correct the readiness imbalance of the nondeployed forces would be further exacerbated by sequestration if our O&M accounts continue to be diminished.

General SPENCER. The Air Force's primary concern is the impact that continued sequestration will have on our airmen, military and civilian, on our readiness and our modernization programs. Our country and our allies depend on the air, space, and cyber capabilities the Air Force provides through global vision, global reach, and global power. The immediacy and abruptness of this year's sequestration has added uncertainty to the concerns of our airmen, and caused us to reduce our readiness, defer needed infrastructure maintenance, and delay our modernization programs.

The DIB, both the organic and commercial components, provide the goods and services that build and sustain the systems that enable the Air Force's core missions of air and space superiority; global strike; rapid global mobility; intelligence, surveillance and reconnaissance; and global command and control. Continued sequestration may place some elements of that industrial base at risk, which in turn, could impact Air Force capability.

While the Air Force can accurately estimate the size of the cuts stemming from continued sequestration and assess their impact on Air Force readiness and modernization, our ability to do the same for the industrial base is limited. The expectation is that larger firms with their capital structure are better equipped to respond to continued sequestration. However, slightly more than half of each contracted dollar goes to subcontractors. Some of these are small businesses and may lack the financial reserves to deal with the uncertainties of continued sequestration.

The key issue is uncertainty. Uncertainty increases risk, reduces willingness to invest in a defense-oriented portfolio, and dries up innovation. While the Air Force can monitor and assess the impacts of continued sequestration on the industrial base, we may only learn of the loss of a key industrial base capability when we are forced to replace or restore it.

JOINT STRIKE FIGHTER

69. Senator AYOTTE. Admiral Ferguson, General Paxton, and General Spencer, how important is the F–35 Joint Strike Fighter to the future readiness and capabilities of your Service?

Admiral FERGUSON. The F–35C will provide a significant additive value when brought to bear with the networked fighting concepts of the U.S. Navy Carrier Strike Group and in a joint/combined warfighting arena. The F–35C provides a fifth generation fighter aircraft to the Navy carrier air wing and brings with it the ability to effectively engage and survive a wide range of threats, both air and surface, in contested airspace. It provides a "day-one" strike capability enabling tactical agility and strategic flexibility required to counter a broad spectrum of threats and win in operational scenarios that cannot be addressed by current legacy aircraft, including operations in an anti-access/area-denied environment.

General PAXTON. The F–35 JSF is the next generation strike weapons system designed to meet an advanced threat, while improving lethality, survivability, and supportability. It will be the cornerstone of a multi-mission joint force possessing improved mission flexibility and unprecedented effectiveness to engage and destroy both air and ground threats. The F–35 is designed to participate in a wide variety of operations from routine, recurring military activities to Major Theater War, and peacekeeping operations.

The short takeoff and vertical landing (STOVL) F–35B is the centerpiece tactical aviation aircraft needed to support our MAGTF. Our requirement for expeditionary tactical aviation capabilities has been demonstrated repeatedly, most recently with forward operating bases (FOBs) in Operation Enduring Freedom (OEF). The F–35B surpasses our current generation of aircraft in combat effectiveness and survivability in the current and future threat environment.

The capability inherent in a STOVL aircraft allows the Marine Corps to operate in harsh conditions and from remote locations where few airfields are available for conventional aircraft. It is also specifically designed to operate from amphibious ships—a capability that no other tactical fifth-generation aircraft possesses. The ability to employ a fifth-generation aircraft from 11 big-deck amphibious ships doubles the number of "aircraft carriers" from which the United States can employ fifth-generation capability. The expanded flexibility of STOVL capabilities operating both at-sea and from austere land bases is essential, especially in the Pacific.

The Marine Corps will leverage the F–35B's sophisticated sensor suite and very low observable fifth-generation strike fighter capabilities, particularly in the area of data collection and information dissemination, to support the MAGTF well beyond the abilities of current MAGTF expeditionary attack, strike, and electronic warfare assets. Having these capabilities in one aircraft provides the Joint Force Commander and the MAGTF commander unprecedented strategic and operational agility.

Marine Corps alignment with the security demands articulated in the 2012 Strategic Guidance for the 21st Century is enhanced by the F–35's unprecedented lethality, and survivability; capabilities that do not exist in today's legacy fighter attack aircraft.

General SPENCER. Only a fifth-generation fighter, such as the F–35, provides the Air Force the levels of lethality and survivability required to gain and maintain air superiority in current and evolving high-end threat environments, ensuring we are able to continue to meet our defense planning guidance-directed joint warfighting requirements.

Since World War II, the United States has relied on its ability to control the skies over the battlefield, protecting friendly forces while holding adversary targets at risk. For the past 30 years, our fighter fleet remained ahead of this evolving threat,

superbly performing all its missions and supporting the joint warfighter in operations such as Operations Desert Storm, Allied Force, Enduring Freedom, and Iraqi Freedom. We have reaped the benefits of developing the most powerful Air Force on the globe and adversaries are keenly aware of our unrivaled ability to exploit the air to achieve our Nation's political objectives. Evidence of the respect adversaries have for U.S. Air Force capabilities is seen in the proliferation of new threat systems designed to counter our asymmetric advantage.

The Air Force's ability to gain air superiority remains an imperative for providing freedom from enemy attack while ensuring our own freedom of maneuver. The threats we may face continue to evolve in technology and complexity. Potential adversaries are acquiring advanced fighters on par with or better than our legacy fleet, developing sophisticated and networked early warning radar surveillance systems, and fielding surface to air missile systems with increasing range and lethality. These capabilities all work together to create advanced, and extremely dangerous, integrated air defense systems. These A2/AD environments seriously challenge our ability to gain air superiority and hold targets at risk. We already face this challenge in select areas of the world and these threat environments will continue to expand as these systems proliferate.

Our fleet of legacy fighters is approaching the limits of both service life and capability modernization that permits them to survive and operate in these environments—they simply do not have the capabilities, enhanced by advanced stealth, required to defeat the emerging threats. Only our fifth-generation fighter fleet's combination of advanced stealth, precision weapons, unmatched electronic warfare systems, fused multi-spectral battlespace awareness, combat identification systems, maneuverability, and speed has the ability to operate and survive in these advanced threat environments. All these capabilities inherent in the F–35, particularly its advanced stealth properties, ensure the United States and our allies have an air superiority advantage, and will enable our combatant commanders to bring the full spectrum of capabilities of the joint force to the fight.

SIZE OF THE ARMY AND MARINE CORPS

70. Senator AYOTTE. General Campbell and General Paxton, if sequestration continues next year, do you believe it will be necessary to further reduce the size of the Army and the Marine Corps? If yes, by how much?

General CAMPBELL. If further budget cuts are directed and end strength goes below 490,000 in the Active component, the Army could be put on a path toward a hollow force—that is an Army that has prolonged and disproportionate investments across manpower, O&M, modernization, and procurement without corresponding adjustments to strategy. Sequestration will have long-term impacts that extend well beyond fiscal year 2013. The Army may have to reduce an additional 100,000 soldiers across the Active Army, Army National Guard, and U.S. Army Reserve, and further reduce the civilian workforce in order to maintain a balance between end strength, readiness, and modernization.

General PAXTON. We will not have a definitive answer to this question until the Defense Department completes its SCMR of our current National Defense Strategy and analysis of a range of potential budget cuts. Depending upon where the Department weighs its effort, 182,100 may or may not be sustainable. We continue to believe that the Nation needs a ready crises response force, forward deployed and forward engaged. The President's current National Defense Strategy, which rebalances our forces toward the Pacific, is suited to the capabilities and strengths of your Marine Corps. If, as a result of the SCMR, the Marine Corps budget is further reduced below current Budget Control Act levels, the Marine Corps will have to look at reducing forces below 182,100. Determining how much below 182,100 will again depend on how much the Marine Corps is required to reduce their budget based on decisions that result from the SCMR.

71. Senator AYOTTE. General Campbell and General Paxton, how much would the Guard and Reserve have to be cut?

General CAMPBELL. The Army has yet to quantify precisely how future end strength reductions would impact the Reserve component, however, as Chief of Staff of the Army Ray Odierno recently testified, if sequestration is fully implemented through fiscal year 2021, it will require us to reduce, at a minimum, another 100,000 soldiers from the total Army, which will include the Active and Reserve components.

General PAXTON. We will not have a definitive answer to this question until the Defense Department completes its SCMR of our current National Defense Strategy

and analysis of a range of potential budget cuts. Depending upon where the Department weights its effort, 39,600 reservists may or may not be sustainable. We continue to believe that the Nation needs a ready operational Reserve Force. The President's current National Defense Strategy, which rebalances our forces toward the Pacific, is suited to the capabilities and strengths of your Marine Corps. If, as a result of the SCMR, the Marine Corps budget is further reduced below current Budget Control Act levels, the Marine Corps will have to look at reducing Reserve Forces below 39,600. Determining how much below 39,600 will again depend on how much the Marine Corps is required to reduce their budget based on decisions that result from the SCMR.

72. Senator AYOTTE. General Campbell and General Paxton, what would be the impact on your Service and your ability to support the current strategy if you are required to further reduce your end strength?

General CAMPBELL. If sequestration continues, the Army will simply not have the resources to support the current Defense Strategic Guidance, and we risk becoming a hollow force. The Army will be unable to meet the range of missions in the current strategic guidance if sequestration requires us to further reduce end strength.

General PAXTON. In 2010, the Marine Corps conducted a careful review of force structure requirements in the future operating environment. At that time, we arrived at a force requirement of 186,800 to meet the security demands of the Nation. In anticipation of a more austere fiscal environment, risk was taken to reduce that number to 182,100. Reductions below this force level will create greater risk.

The Marine Corps, by design, is not organized to conduct extended land campaigns; it is organized to support forward deployed crisis response rotations at an aggressive deploy-to-dwell ratio and to meet its obligations to the Joint Force for amphibious forcible entry. Reductions in the number of marines available creates risk not only to future war scenarios, but also to the immediate demands of warfighting, crisis response, deterrence, humanitarian assistance/disaster relief, reassuring our allies, and creating options for our strategic leadership.

Fewer marines means:

- Fewer forward engagements, decreasing our deterrent effect;
- Leaving our allies less assured, creating uncertainty with response to U.S. security guarantees;
- Smaller investment in building the capabilities of our security partners;
- Decreased capacity to respond to major contingency operations;
- Less time to train to complex missions, putting marines at risk; and
- Reduced dwell-time coupled with greater stress on military families.

73. Senator AYOTTE. General Campbell and General Paxton, would either of your Services have to utilize involuntary separations to achieve these end strength reductions?

General CAMPBELL. Yes. The Army learned some very valuable lessons during the drawdown of the 1990s. Therefore, a principal tenet of the Army's plan to reduce end strength is that the Army, not the individual servicemember, will make the determinations as to who continues to serve and who must transition. The most critical concerns are to retain those servicemembers with the greatest potential for future contribution and to provide fair and comprehensive transition assistance for members and families who must continue their service in a Reserve component or transition to civilian employment. To the extent that sequestration considerations increase the number of personnel reductions that are required, the Army will achieve a portion of those additional reductions through involuntary separations.

General PAXTON. The Marine Corps' plan to reduce our Active component end strength from 202,100 to 182,100 by the end of fiscal year 2016 is being conducted in a measured way. Our plan is to reduce our end strength by no more than 5,000 marines per year and will be accomplished primarily by natural attrition, voluntary separation, and retirement authorities. Involuntary separations will be minimized as much as possible, and we have no plans to conduct a reduction-in-force. Such an approach would do significant long-term damage to our ability to recruit and maintain a high quality force. Our overarching goal is to keep faith with our marines and their families. This plan would have to be re-assessed should we be given a mandate for additional end strength reduction and increased use of involuntary separation authorities would likely be required.

KC—46

74. Senator AYOTTE. General Spencer, in terms of readiness, what are the Air Force's top modernization priorities?

General SPENCER. In order to achieve readiness levels necessary to meet the Defense Strategic Guidance, the Air Force must modernize its aging fleet. In particular, the strategic guidance directs a shift to the Pacific where the challenges of an A2/AD environment dictate full-spectrum readiness across the Air Force. The limits of our legacy fleet's ability to survive and operate in these environments are being approached by near-peer adversaries in the region that possess advanced fighter aircraft, networked early warning radar surveillance systems and integrated air defense systems. Our legacy fleet simply does not have the advanced capabilities required to survive and operate in the emerging threat environment. As such, Air Force modernization priorities are focused on these threat scenarios. The F–35 Joint Strike Fighter, KC–46 tanker, and Long-Range Strike Bomber will help ensure the United States and our allies have an air superiority advantage, and will enable our combatant commanders to bring the full spectrum of capabilities of the joint force to the fight in these future threat environments.

75. Senator AYOTTE. General Spencer, how important is the KC–46A program to Air Force readiness?

General SPENCER. The KC–46A is an essential component of force readiness, particularly with the strategic shift to the Pacific Area of Operations coupled with concerns on the long-term sustainment on our aging KC–135R tanker fleet. To meet the Defense Strategic Guidance, air refueling capability remains the linchpin of our ability to project power across intercontinental distances to hold any target at risk. To this end, the KC–46A will ensure our Nation retains a ready and capable tanker force supporting joint and coalition aircraft in worldwide operations for decades to come.

[Whereupon, at 4:21 p.m., the subcommittee adjourned.]

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 2014 AND THE FUTURE YEARS DEFENSE PROGRAM

WEDNESDAY, APRIL 24, 2013

U.S. SENATE,
SUBCOMMITTEE ON READINESS
AND MANAGEMENT SUPPORT,
COMMITTEE ON ARMED SERVICES,
Washington, DC.

MILITARY CONSTRUCTION, ENVIRONMENTAL, AND BASE CLOSURE PROGRAMS

The subcommittee met, pursuant to notice, at 2:35 p.m. in room SR–232A, Russell Senate Office Building, Senator Jeanne Shaheen (chairman of the subcommittee) presiding.

Committee members present: Senators Shaheen, Kaine, Ayotte, and Lee.

Majority staff members present: Joseph M. Bryan, professional staff member; Jason W. Maroney, counsel; Michael J. Noblet, professional staff member; John H. Quirk V, professional staff member; and Russell L. Shaffer, counsel.

Minority staff member present: Lucian L. Niemeyer, professional staff member.

Staff assistant present: Daniel J. Harder.

Committee members' assistants present: Chad Kreikemeier, assistant to Senator Shaheen; Marta McLellan Ross, assistant to Senator Donnelly; Karen Courington, assistant to Senator Kaine; Brad Bowman, assistant to Senator Ayotte; and Robert Moore, assistant to Senator Lee.

OPENING STATEMENT OF SENATOR JEANNE SHAHEEN, CHAIRMAN

Senator SHAHEEN. Good afternoon, everyone.

At this time I would like to call this subcommittee hearing to order.

Actually, given that we have two witnesses who are from New Hampshire, as well as Senator Ayotte and myself, I think next year we should do this in New Hampshire as opposed to down here. For the audience, you would really enjoy it very much to be up there. We will do it a little later in the year so it is a little warmer than it is right now.

Senator AYOTTE. More foliage.

Senator SHAHEEN. Yes, that is right, when we have foliage.

But seriously, I want to welcome everyone to the hearing this afternoon. Testifying, we have representatives from each of the Military Services and the Office of the Secretary of Defense (OSD) who are responsible for the Department of Defense's (DOD) military construction (MILCON) and environmental programs, and we very much look forward to your testimony.

Overall, the President's budget request for military construction and family housing is $11.1 billion in fiscal year 2014, approximately $200 million less than what was requested last year. The budget request broadly reflects the fiscal realities facing DOD, but especially in the absence of a resolution to sequestration, additional savings will need to be achieved. I look forward to hearing more from our witnesses on their top priorities for this year's request so that the subcommittee can move forward in a prudent and informed manner on the defense authorization bill.

Last year's National Defense Authorization Act (NDAA) reduced or eliminated more than $660 million in programs in the military construction and environment accounts. We will be, again, looking to find savings in these areas, recognizing the current fiscal pressures, the subcommittee's responsibility to help DOD eliminate duplicative programs and projects, and increase management efficiencies and reduce waste.

DOD has again requested a base realignment and closure (BRAC) round in 2015. I joined the majority of my colleagues in opposing this proposal last year, and I continue to believe that now is not the time to spend billions of dollars on another BRAC round, especially as DOD grounds combat aircraft and cancels ship deployments due to sequestration. The Government Accountability Office (GAO) has done a number of studies on the 2005 BRAC round which found, among other things, that BRAC implementation costs grew to about $35 billion, exceeding the initial 2005 estimate of $21 billion by 67 percent. In this time of fiscal uncertainty, we clearly cannot afford another round like the last one.

The GAO has made a number of recommendations for improving future BRAC rounds, including improving the process for accurately identifying and estimating all costs associated with BRAC decisions. I look forward to hearing more from our witnesses about why they believe that another BRAC round is necessary and what changes DOD has put in place to ensure similar cost growth will not occur in any future BRAC round.

Now, setting BRAC aside, one of the more immediate ways our military installations can save money is through the adoption of more energy-efficient technologies. I am pleased to see DOD and each of the Services continue to strive for smarter ways to become energy efficient. That is perhaps why DOD was able to reduce its installation energy consumption by 2.4 percent and approximately $100 million in fiscal year 2012. The expanded use of metering to ensure an accurate baseline and smart grid technologies enable energy users to adapt to demand fluctuations and better informs our installation energy managers. Even simple fixes, like stopping water line leaks, ensures that in these times of fiscal uncertainty, DOD is doing its best at increasing efficiency.

Last week, the full committee released a report of our year-long review of DOD spending overseas. The review focused on spending in Japan, South Korea, and Germany, three critical allies. In order to better sustain our presence in these countries, we need to understand and control our costs. The committee's bipartisan report describes inadequate oversight of MILCON projects built with in-kind payments. It also discusses in-kind payments earmarked for nonessential projects at a time when DOD is under severe budget constraints. Every dollar spent on unnecessary or unsustainable projects is a dollar unavailable to care for our troops and their families, to maintain and modernize equipment, and to pay for necessary investments in base infrastructure. The committee will be assessing what changes in law might be necessary to ensure closer scrutiny of our overseas investments and avoid future commitments that may be inefficient or unaffordable. I will be very interested in hearing what our panels think about this report and suggestions for future changes.

The President's budget request also includes $3.8 billion for defense environmental programs, down from last year's request and representing the fourth consecutive year of decreases in funding for the program. As with past years, the largest piece of the environmental budget request is the environmental restoration program, the cleanup of contamination at bases, current and former, including the remediation of discarded military munitions. While the restoration budget has remained relatively steady over the past few years, it is important that DOD and Congress remain committed to the remediation of contamination, including the cleanup of military munitions at thousands of sites around the country.

I would also like to take a moment to express my strong support for the Navy's inclusion of a project in its budget request to modernize and consolidate a number of facilities at Portsmouth Naval Shipyard that support our nuclear submarine fleet. I am sure it comes as no surprise that Senator Ayotte and I are particularly interested in what is happening at the shipyard. But Portsmouth is the only east coast maintenance depot for *Virginia*-class submarines, and this project will help to ensure that this capability is maintained for many years into the future. I understand that this project will not only improve productivity by consolidating several dispersed activities, but will also result in energy savings by reducing the overall footprint of the facilities and through the adoption of more energy efficient technologies. I believe these are exactly the kinds of projects DOD should be pursuing, and I applaud DOD and the Navy for making these investments.

Now, before our witnesses deliver their opening remarks, I will ask Senator Ayotte if she has any statement.

STATEMENT OF SENATOR KELLY AYOTTE

Senator AYOTTE. I thank the chairman very much and very much appreciate being a part of the leadership of this subcommittee with you. I want to thank you for calling this very important hearing, particularly with the challenges we face right now with sequestration.

As we all know, DOD has come in for a significant number of cuts with sequestration, and if you look at the percentages, it is ac-

tually disproportionate to what other areas of the Government have taken in terms of cuts. As Lieutenant General Milstead testified this morning before the Personnel Subcommittee, he said, "Those who have given the most to the security of this Nation are asked to accept the bulk of the risk that sequestration poses to this Nation." So we need to understand fully from each of the witnesses what the impact is of sequestration in your areas because it is very important that we understand those implications.

I share Senator Shaheen's desire to work to make sure that we are eliminating waste, duplication, misallocated funds, given the budget challenges we face. But with that said, we also need to fully understand the implications of the significant reductions that you are facing and what that means.

In one of the areas, I also would certainly echo the praise that Senator Shaheen gave to the Navy for their commitment and recent projects at the Portsmouth Naval Shipyard. I think that is terrific and we really appreciate it, and also the importance of those projects in terms of helping the efficiency of the shipyard, as well as energy efficiency is terrific.

But I have to say I note that the Department of Navy's recent report on the modernization of naval shipyards cites a $3.5 billion facility maintenance backlog, which is higher than the overall Navy's average. This backlog includes $1.2 billion of critical repairs for mission-essential facilities. So we have some significant challenges with the budget issues that you are facing.

Naval shipyards play a critical role in maintaining the readiness of our fleet and are currently the sole provider of many depot-level maintenance capabilities. The readiness of our aircraft carriers and submarines is directly linked to sufficient funding for and efficient operation of the naval shipyards. These shipyards, including the Portsmouth Naval Shipyard, are highly dependent on the condition of shipyard infrastructure, including dry docks, piers, nuclear facilities, production shops, and other facilities.

Yet, despite the importance of these facilities, based on current investment levels, as curtailed by the budget cuts that we are going to talk about today, the Navy will need 17 years to clear the current maintenance and infrastructure repair backlog, that is a significant number, and I think people need to understand that. While the Navy is looking at potential options to accelerate the rate of overall improvements in shipyard infrastructure, workplace efficiency, and operating conditions, the report concludes that a quicker upgrade plan "is currently unaffordable." I know that the chairman and I will make this a primary focus to understand this for this hearing today and also throughout our work on this committee.

I want to raise another issue, something that I have been very concerned about on the national security front. In section 227 of the NDAA for Fiscal Year 2013, I would like to get an update regarding the environmental impact statements (EIS) that are being prepared for a potential third homeland missile defense interceptor site on the east coast of the country. The purpose of an east coast missile defense site would be to ensure that we have shoot-look-shoot capability against a potential Iranian intercontinental ballistic missile (ICBM) fired at the east coast of the United States.

I know very well that the witnesses that are before us are familiar with the fact that if we were to receive an incoming missile from North Korea on the west coast of the country, we have that shoot-look-shoot capability, but we do not have the same capability on the east coast of the country.

Director of National Intelligence James Clapper testified this month that this Iranian ICBM threat could emerge as early as 2015. Yet, in order to properly site and build an east coast missile defense site, and I want to commend the administration for now looking very seriously at this issue, it could take up to 5 or 6 years to build an east coast missile defense site. So this is, obviously, I think something we need to look at with a sense of urgency, and I certainly look forward to hearing from you as to where that process stands right now.

I also join the chairman in opposing DOD's request for the authorization to conduct a round of BRAC in 2015. Now is not the time to spend billions of dollars on another BRAC round, especially as DOD grounds combat aircraft, cancels ship deployments, and furloughs workers due to sequestration.

As the chairman mentioned earlier, we have not fully understood or realized the cost from the last BRAC round, and there were significant costs to undertaking a BRAC round. In fact, if you look at what happened in 2005, the BRAC Commission estimated that the total cost of the BRAC decisions would be $21 billion. According to GAO, the 2005 BRAC round actually cost taxpayers $35 billion, $14 billion more than projected, a massive increase, in terms of the estimate, of 67 percent. Given the budget environment we are in, we simply cannot afford this type of endeavor right now or this kind of cost growth.

I have heard from DOD certain assurances that the new round will be better than the last round. However, I am not sure how I understand DOD can make those assurances, given that this is designed to act as an independent entity, free from the influence of DOD. It is not clear to me how we can be confident that there are any real cost savings to be gained from another BRAC round, and that is among the reasons that I certainly oppose a BRAC round.

I want to thank the chairman for this hearing, and I look forward to the testimony of the witnesses. I want to thank each of you for your service to our country during very challenging times. Thank you for being here today.

Senator SHAHEEN. Thank you, Senator Ayotte.

Let me welcome all of you who will be testifying. First, we have John Conger, who is the Acting Deputy Under Secretary of Defense for Installations and Environment. Welcome. Katherine Hammack, Assistant Secretary of the Army for Installations, Energy, and Environment. Thank you for being here. Roger Natsuhara, Principal Deputy Assistant Secretary of the Navy for Energy, Installations, and Environment; and Kathleen Ferguson, who is the Acting Assistant Secretary of the Air Force for Installations, Environment, and Logistics. Again, thank you all for being here this afternoon. We look forward to your testimony. I will ask you if you will go ahead and present in that order. Mr. Conger?

STATEMENT OF JOHN C. CONGER, ACTING DEPUTY UNDER SECRETARY OF DEFENSE, INSTALLATIONS AND ENVIRONMENT

Mr. CONGER. Thank you very much. Chairman Shaheen, Ranking Member Ayotte, distinguished members of the subcommittee, I appreciate the opportunity to appear before you to discuss DOD's fiscal year 2014 budget request for installations and environment. As a side note, I am happy to be part of Team New Hampshire here, as the chairman alluded.

The testimony I have submitted for the record describes the $11 billion we are requesting for MILCON; the $10.9 billion more we are investing in sustaining and restoring our facilities; and the $3.8 billion that we are seeking for environmental compliance and cleanup.

You will note that these numbers are not significantly lower than those we requested in fiscal year 2013, and in fact, they represent a slight increase from what was appropriated this year. That is because the President's budget request replaces the across-the-board sequester cuts with a comprehensive deficit reduction plan. Within the request, that plan averts what would otherwise be another significant reduction in the defense budget and enables us to present to you a fiscal year 2014 budget request that allows us to continue prudent investment in our installations.

However, sequestration has significantly impacted fiscal year 2013. While this hearing is focused on the 2014 request, I would like to address the 2013 issue briefly.

Sequestration will affect our fiscal year 2013 execution in two ways. MILCON projects will be individually cut. Some of them will still be executable but others will not, and we are reviewing each project to assess the impact. It is possible that we will need to defer some lower priority fiscal year 2013 projects to ensure there are funds available to reprogram so we can execute the higher priority ones, and we are still reviewing these impacts.

More serious, though, is the impact to our facilities sustainment and restoration accounts. Because operation and maintenance (O&M) dollars are more discretionary and therefore more flexible, operational accounts were given more protection and facilities sustainment was cut more deeply to make up the difference. In fiscal year 2013, we are deferring all but the most critical repairs. We are deferring routine maintenance. We are holding off on major purchases and accepting risk by looking for building equipment to hold out longer. Frankly, we can probably accommodate this for a short period of time, but the system will break if we shortchange these accounts for multiple years.

My colleagues will be able to speak about how each of them are managing this risk in their individual Services.

Finally, let me say a word or two about BRAC. Obviously, it is an issue of concern, and as you mentioned, the administration is requesting a BRAC round in 2015.

DOD is facing a serious problem created by the tension caused by constrained budgets, reductions in force structure, and limited flexibility to adapt to the first two. We need to find a way to strike the right balance so infrastructure does not drain too many resources from the warfighter. Without question, installations are

critical components of our ability to fight and win wars. Whether that installation is a forward-operating location or a training center in the United States, our warfighters cannot do their job without bases from which to fight, on which to train, or on which to live when they are not deployed. However, we need to be cognizant that maintaining more infrastructure than we need taxes other resources that the warfighter needs as well, from depot maintenance, to training, to bullets and bombs.

We are continually looking for ways to reduce the cost of doing business, looking for ways to reduce the cost of MILCON to investing in energy efficiency that pays us back in lower operating costs. BRAC is another very clear way for us to reduce the infrastructure costs to DOD. The previous five rounds of BRAC are providing us with recurring savings of $12 billion or $13 billion every year, savings that do not result in decreased capability because it is derived from the elimination of excess.

I am well aware of the skepticism that many in Congress have about the need for BRAC, and that seems based on the fact that we spent more than originally advertised during the 2005 BRAC round. To be clear, BRAC 2015 will not look like BRAC 2005. BRAC 2005 was conducted, one, while force structure was growing; two, while budgets were growing; and three, under leadership which directed the use of the authority to accomplish transformative change not just elimination of excess. Today, force structure is shrinking. The budget is shrinking, and we are firmly focused on reducing our future costs. That description characterizes the first four rounds of BRAC as well, and I can assert with confidence that a 2015 round will have far more in common with them than it would with the 2005 round.

Thanks for the opportunity to testify this morning. It is a pleasure to be here, and I look forward to your questions. In the questions and answers, we can address a couple of the other points you made in your opening statements.

[The prepared statement of Mr. Conger follows:]

PREPARED STATEMENT BY MR. JOHN CONGER

INTRODUCTION

Chairman Shaheen, Ranking Member Ayotte, and distinguished members of the subcommittee: Thank you for the opportunity to present the President's fiscal year 2014 budget request for the Department of Defense (DOD) programs supporting installations, facilities energy, and the environment.

It would be an understatement to say these are challenging times for the DOD budget. The impact of sequestration on our installations budgets in fiscal year 2013, combined with the uncertain budget context it poses for the next decade, requires us to change the way we think about our installations and the funds we will allocate to maintain them. We are still evaluating the impact the fiscal year 2013 cuts have had and will have on our various installations accounts, but we must consider every day how we can drive efficiencies and do more with less.

While budgets are constrained and force structure shrinks, our infrastructure is being held constant. Our portfolio of approximately 550,000 buildings and structures, 2.3 billion square feet, and a replacement value of $848 billion will be recapitalized and maintained in fiscal year 2014 through our request of $11 billion for military construction and family housing and $10.85 billion in operations and maintenance (O&M) for sustainment, restoration, and modernization.

This budget request represents a prudent investment in recapitalizing and maintaining our facilities. Installations are critical components of our ability to fight and win wars. Whether that installation is a forward-operating location or a training center in the United States, our warfighters cannot do their job without bases from

which to fight, on which to train, or in which to live when they are not deployed. The bottom line is that installations support our military readiness, and we must ensure they continue to do so.

Moreover, the environment in which our forces and their families live has an impact on their ability to do their job, and the Department's ability to retain those troops. Quality of life—to include not only the physical condition of the facilities in which our servicemen and servicewomen and their families live and work, but whether or not there is a safe, healthy environment around and within those facilities—is also critical to the readiness of the force. This request reflects that priority.

Still, while we prioritize readiness and protect quality of life, we must be constantly seeking efficiencies in the budget. We are exploring ways to lower the cost of military construction as well as the cost of operating our facilities into the future. We are also cognizant that maintaining more infrastructure than we need taxes other resources that the warfighter needs—from depot maintenance to training to bullets and bombs. That is why the President's budget request for fiscal year 2014 also requests authority to conduct a round of Base Realignment and Closure (BRAC) in 2015.

My testimony will outline the fiscal year 2014 budget request and highlight a handful of top priority issues—namely, the administration's request for BRAC authority, European consolidation efforts, status of the plan to move marines from Okinawa to Guam, an overview of our energy programs, and the request to renew or expand our land withdrawals at several critical installations.

FISCAL YEAR 2014 BUDGET REQUEST—MILITARY CONSTRUCTION AND FAMILY HOUSING

The President's fiscal year 2014 Military Construction (MILCON) and Family Housing Appropriation request totals $11.0 billion, a decrease of approximately $211.1 million from the fiscal year 2013 budget request. Our MILCON and Family Housing budget will allow the Department to respond rapidly to warfighter requirements, enhance mission readiness, and provide essential services for its personnel and their families, while better balancing available resources and our security needs.

TABLE 1. MILCON AND FAMILY HOUSING BUDGET REQUEST, FISCAL YEAR 2013 VS. FISCAL YEAR 2014

[In millions of dollars]

	Fiscal Year 2013 Request	Fiscal Year 2014 Request	Change from Fiscal Year 2013	
			Funding	Percent
Military Construction	8,540.7	8,505.3	(35.3)	(0.4)
Base Realignment and Closure	476.0	451.4	(24.7)	(5.2)
Family Housing	1,650.8	1,542.7	(108.0)	(6.5)
Chemical Demilitarization	151.0	122.5	(28.5)	(18.9)
Energy Conservation Investment Program	150.0	150.0	0.0	0.0
NATO Security Investment Program	254.2	239.7	(14.5)	(5.7)
Total	11,222.7	11,011.6	(211.7)	(1.9)

Numbers may not add due to rounding

Military Construction

We are requesting $9.0 billion for military construction (Military Construction, Chemical Demilitarization, Energy Conservation Investment Program (ECIP), and the North Atlantic Treaty Organization (NATO) Security Investment Program). This request addresses routine needs for construction at enduring installations stateside and overseas, and for specific programs such as the NATO Security Investment Program and the ECIP. In addition, we are targeting MILCON investments in three key areas:

First and foremost, our MILCON request supports the Department's operational missions. MILCON is key to initiatives such as the Nuclear Weapon Security Deviation Elimination Initiative and the Army Stationing Initiative, as well as the President's timeline for the European Phased Adaptive Approach (EPAA), and for projects that support enhanced homeland defense capabilities. Our fiscal year 2014 budget includes $3.26 billion to support operations and training requirements, including: range and training facilities for ground forces at several Army and Marine Corps installations; a third increment of the Naval Explosives Handling Wharf at Kitsap, WA; Air Force infrastructure to bed-down the initial delivery of the KC–46A

tankers; communications facilities in California and Japan to support operations in the Pacific region; and training and support facilities for Special Operations Forces.

Second, our fiscal year 2014 budget request includes $797.8 million to replace or modernize 17 DOD Education Activity (DODEA) schools that are in poor or failing physical condition. These projects, most of which are at enduring locations overseas, support the Department's plan to replace or recapitalize more than half of DODEA's 194 schools over the next several years. The recapitalized or renovated facilities, intended to be models of sustainability, will provide a modern teaching environment for the children of our military members.

Third, the fiscal year 2014 budget request includes $1.2 billion for 11 projects to upgrade our medical infrastructure, including $151.5 million for the third increment of funding to replace the Landstuhl Regional Medical Center at the Rhine Ordnance Barracks in Germany, a critical facility supporting our wounded warriors. Our budget addresses medical infrastructure projects that directly impact patient care, and enhance our efforts to recruit and retain personnel. These projects are crucial for ensuring that we can deliver the quality healthcare our servicemembers and their families deserve, especially during overseas tours.

Family Housing and Unaccompanied Housing

A principal priority of the Department is to support military personnel and their families and improve their quality of life by ensuring access to suitable, affordable housing. Servicemembers are engaged in the front lines of protecting our national security and they deserve the best possible living and working conditions. Sustaining the quality of life of our people is crucial to recruitment, retention, readiness, and morale.

Our $11.0 billion MILCON request includes $1.5 billion to fund construction, operation, and maintenance of government-owned family housing worldwide. Most government-owned family housing is on enduring bases in foreign countries, since the Department has privatized the vast majority of its family housing in the continental United States. The requested funding will ensure that we can continue to provide quality, affordable housing to U.S. military personnel and their families.

The Department is committed to improving housing for our unaccompanied personnel as well. In recent years, we have invested heavily in unaccompanied personnel housing to support initiatives such as BRAC, global restationing, force structure modernization, and Homeport Ashore—a Navy program to move sailors from their ships to shore-based housing when they are at their homeport. The fiscal year 2014 MILCON budget request includes $423 million for 11 construction and renovation projects that will improve living conditions for more than 2,000 unaccompanied personnel.

The Services rely largely on privatization to provide family housing on U.S. installations. As you've heard from my predecessors, privatization of family housing—where the Services partner with the private sector to generate housing built to market standards—is the single most effective reform my office has carried out. Prior to privatization, the Services' chronic underinvestment in their facilities had created a crisis, with almost 200,000 of the Department's family housing units rated "inadequate." Privatization leverages the power of the commercial market to serve our needs. With an investment of approximately $3.6 billion, the Services have generated $29.7 billion in construction to build new and renovate existing family housing units. The Services also transferred responsibility for maintenance, operation, and recapitalization for 50 years to private entities that have an incentive to maintain the housing so as to attract and retain military tenants.

TABLE 2. FAMILY HOUSING BUDGET REQUEST, FISCAL YEAR 2013 VS. FISCAL YEAR 2014

[In millions of dollars]

	Fiscal Year 2013 Request	Fiscal Year 2014 Request	Change from Fiscal Year 2013	
			Funding	Percent
Family Housing Construction/Improvements	190.6	193.8	3.1	1.6
Family Housing Operations & Maintenance	1,458.3	1,347.2	(111.2)	(7.6)
Family Housing Improvement Fund	1.8	1.8	0	(0.3)
Total	1,650.8	1,542.7	(108.1)	(6.5)

Numbers may not add due to rounding

Facilities Sustainment, Restoration, and Modernization

In addition to investing in new construction, we must maintain, repair, and recapitalize our existing facilities. The Department's Sustainment and Recapitalization programs strive to keep our inventory of facilities mission capable and in good working order. Facility recapitalization is the funding that is used to improve a facility's condition through repair (restoration and modernization) or replacement MILCON. Sustainment represents the Department's single most important investment in the health of its facilities. It includes regularly scheduled maintenance and repair or replacement of facility components—the periodic, predictable investments an owner should make across the service life of a facility to slow its deterioration and optimize the owner's investment. Sustainment prevents deterioration, maintains safety, and preserves performance over the life of a facility, and helps improve the productivity and quality of life of our personnel.

For fiscal year 2014, the Department's O&M request for Facility Sustainment, Restoration, and Modernization (FSRM) includes $8.0 billion for sustainment, $2.7 billion for restoration and modernization (recapitalization), and $145 million for demolition. The total FSRM O&M funding ($10.85 billion) reflects a 0.3 percent increase from the fiscal year 2013 President's budget (PB) request ($10.81 billion). While the Department's goal is to fund sustainment at 90 percent of modeled requirements, due to budget challenges, the Departments of the Army, Navy, and Air Force have taken risk in maintaining and recapitalizing existing facilities. These Services continue to budget to fund sustainment at between 80 percent and 85 percent of the modeled requirement, whereas the Marine Corps and most Defense Agencies achieve or exceed the 90 percent goal. Continued deferred sustainment of existing facilities will present the Department with larger bills in the outyears to replace facilities that deteriorate prematurely due to underfunding.

TABLE 3. FACILITY SUSTAINMENT, RESTORATION, AND MODERNIZATION BUDGET REQUEST, FISCAL YEAR 2013 VS. FISCAL YEAR 2014

[In millions of dollars]

	Fiscal Year 2013 Request	Fiscal Year 2014 Request	Change from Fiscal Year 2013	
			Funding	Percent
Sustainment	7,895.0	8,040.0	145.0	1.8
Restoration and Modernization	2,794.0	2,666.0	(128.0)	(4.6)
Demolition	125.0	145.0	20.0	16.0
Total FSRM	10,814.0	10,851.0	37.0	0.3

Our fiscal year 2014 budget also includes $2.7 billion in O&M funds for recapitalization, reflecting a decrease of 4.6 percent from the fiscal year 2013 President's budget request. This decrease largely results from the Services' decision to defer renovations at locations that may be impacted by changes in force structure. This constrained funding follows significant reductions in energy conservation investments from sequestration reductions in fiscal year 2013, which will make achievement of DOD's statutory energy intensity goals impossible to attain for the foreseeable future.

A final category of investment is demolition, which allows the Services to eliminate facilities that are excess to need or no longer cost effective to operate. Our fiscal year 2014 budget request includes $145 million in operations and maintenance funding, a net increase of $20 million (16 percent) over the fiscal year 2013 request. This funding will allow us to demolish approximately 5 million square feet of facilities. Demolition is also accomplished as part of many of our MILCON projects, and with both sources of funding, we anticipate eliminating over 62 million square feet of space between fiscal year 2008 and fiscal year 2014. Demolition is an important task in completing an asset's life cycle. In most of cases, it removes eyesores and hazards from our installations and opens land for other uses.

Ongoing Initiatives to Reduce Costs and Improve Value

Finally, I would like to mention several ongoing initiatives designed to improve the Department's management of our infrastructure.

Clarifying Anti-Terrorism/Force Protection (AT) Standards:

On December 7, 2012, the Deputy Secretary issued policy for DOD to begin using the antiterrorism standards developed by the Federal Interagency Security Committee (ISC) for DOD leased space in buildings, in lieu of continuing the use of

DOD-developed standards. The revised policy will put DOD in line with other Federal agencies when determining security requirements for leased facilities, thereby promoting efficiencies with leasing arrangements through General Services Administration, particularly in buildings with multiple Federal tenants, as commonly found in urban areas. Additionally, because the ISC standards will allow DOD to better align organization missions to threats and risk mitigation, the Department can realize cost savings through decreased relocation, rent, and retrofit costs. We will also be reviewing our on-base processes for applying antiterrorism standards to determine if the ISC or similar processes and standards are more appropriate given the vast spectrum of missions that occur on military installations.

Improving Facility Assessments:

In order to understand the effect of investments on our infrastructure, we need a reliable process for measuring the condition of those assets. Accurate and consistent Facility Condition Index (FCI) data, expressed in terms of the relationship between what it would cost to repair a facility to a like-new condition and what it would cost to replace that facility, are essential for leadership to make informed decisions that target scarce resources to those facilities in most need of recapitalization, or to identify those assets that should be demolished. The Department is developing policy to reinvigorate and standardize our inspection and reporting processes, to include qualified professionals conducting the inspections. To make the results of these inspections relevant, we intend on using the FCIs as a centerpiece for a new recapitalization program that better considers facility conditions when prioritizing asset investments.

Improving Asset Investments Planning and Programming:

Budgets associated with sustaining, renovating, and modernizing DOD facilities are dropping at a disproportional rate compared to the size of our existing inventory. The facility investments made over the last decade, as a result of Grow the Forces, BRAC 2005, and Army Modularity initiatives, can easily be undermined with sharp reductions in future maintenance budgets. The Department is nearing completion on establishing a facility recapitalization program that focuses on the use of FCIs, which makes having an accurate and consistent facility inspection program essential. The recapitalization program will contain elements that look broadly across DOD's facility inventory as well as target specific facilities that fall below a minimum FCI. The former element provides the DOD components with flexibility in prioritizing which assets best support their operational priorities and maintaining appropriate levels for quality of life. For assets that fall below an acceptable FCI, the DOD components will be charged with determining whether that asset should be repaired, replaced, or demolished. The concept is to only retain and sustain those facilities that contribute to our military readiness and are in a condition that will not jeopardize life, health, and safety of DOD personnel, weapon systems, or equipment.

Reducing the Federal Premium:

My office continues to interact with industry and academia to explore innovation and efficiency in MILCON projects, as part of our focus on Better Buying Power initiatives. We are completing a study on MILCON unit costs compared with commercial unit costs for similar facilities. We are evaluating medical facilities, unaccompanied housing, administrative buildings, child care centers, and schools for differences in constructed features and costs, as well as other process-based differences and their impacts on costs. The insight gained from this study should allow us to identify potential cost-saving measures in DOD-based processes or requirements, as well as cost-saving opportunities in statutory requirements that we will work with Congress to address.

Reducing Life Cycle Costs While Minimizing Impacts to First Costs:

In March, the Department published its new construction standard (Unified Facilities Criteria), governing the construction of all new buildings and major renovations. The new standard incorporates the most cost-effective elements of consensus-based green building standards like those managed by the American Society of Heating Refrigeration and Air-Conditioning Engineers (ASHRAE) to help accelerate DOD's move toward more efficient, sustainable facilities that cost less to own and operate. This new standard is consistent with recommendations made by the National Research Council following their evaluation of the cost effectiveness of commercial green building standards and rating systems.

FISCAL YEAR 2014 BUDGET REQUEST—ENVIRONMENTAL PROGRAMS

The Department has long made it a priority to protect the environment on our installations, not only to preserve irreplaceable resources for future generations, but to ensure that we have the land, water, and airspace we need to sustain military readiness. To achieve this objective, the Department has made a commitment to continuous improvement, pursuit of greater efficiency, and adoption of new technology. In the President's fiscal year 2014 budget, we are requesting $3.83 billion to continue the legacy of excellence in our environmental programs. While this is below the fiscal year 2013 request, the reduction reflects improved technologies and processes rather than any decline in effort.

The table below outlines the entirety of the DOD's environmental program, but I would like to highlight a few key elements where we are demonstrating significant progress—specifically, our environmental restoration program, our efforts to leverage technology to reduce the cost of cleanup, and the Readiness and Environmental Protection Initiative (REPI).

TABLE 4: ENVIRONMENTAL PROGRAM BUDGET REQUEST, FISCAL YEAR 2014 VS. FISCAL YEAR 2013

[In millions of dollars]

	Fiscal Year 2013 Request	Fiscal Year 2014 Request	Change from Fiscal Year 2013	
			Funding	Percent
Environmental Restoration	$1,424	$1,303	−$121	−8.5
Environmental Compliance	$1,449	$1,460	+$11	+0.8
Environmental Conservation	$378	$363	−$15	−4.0
Pollution Prevention	$111	$106	−$5	−4.5
Environmental Technology	$220	$214	−$6	−2.7
Legacy BRAC Environmental	$318	*$379	−$12	−3.1
BRAC 2005 Environmental	$73			
Total	$3,974	$3,826	−$148	−3.7

* BRAC accounts were combined in the National Defense Authorization Act (NDAA) for Fiscal Year 2013

Environmental Restoration

We are requesting $1.7 billion to continue cleanup efforts at remaining Installation Restoration Program (IRP—focused on cleanup of hazardous substances, pollutants and contaminants) and Military Munitions Response Program (MMRP—focused on the removal of unexploded ordinance and discarded munitions) sites. This includes $1.3 billion for "Environmental Restoration," which encompasses active installations and Formerly Used Defense Sites (FUDS) locations and $379 million for "BRAC Environmental." DOD is making steady progress, moving sites through the cleanup process towards achieving program goals. While the fiscal year 2014 request for environmental restoration is down 8.5 percent, that reduction is because DOD has nearly finished investigating our sites and is bounding the problem.

TABLE 5: PROGRESS TOWARD CLEANUP GOALS

Goal: Achieve Response Complete at 90 percent and 95 percent of Active and BRAC IRP and MMRP sites, and FUDS IRP sites, by fiscal year 2018 and fiscal year 2021, respectively

	Status as of the end of fiscal year 2012 (Percent)	Projected Status at the end of fiscal year 2018 (Percent)	Projected Status at the end of fiscal year 2021 (Percent)
Army	88	97	98
Navy	72	89	95
Air Force	68	89	94
DLA	88	91	91
FUDS	75	90	94
Total	77	92	96

By the end of 2012, the Department, in cooperation with State agencies and the Environmental Protection Agency (EPA), completed cleanup activities at 77 percent of Active and BRAC IRP and MMRP sites, and FUDS IRP sites, and is now moni-

toring the results. During fiscal year 2012 alone, the Department completed cleanup at over 900 sites. Of the more than 38,000 restoration sites, over 29,000 are now in monitoring status or cleanup completed. We are currently on track to exceed our program goals—anticipating complete cleanup at 96 percent of Active and BRAC IRP and MMRP sites, and FUDS IRP sites, by the end of 2021.

Our focus remains on continuous improvement in the restoration program: minimizing overhead; developing new technologies to reduce cost and accelerate cleanup; and refining and standardizing our cost estimating. All of these initiatives help ensure that we make the best use of our available resources to complete cleanup.

Note in particular that we are cleaning up sites on our active installations parallel with those on bases closed in previous BRAC rounds—cleanup is not something that DOD pursues only when a base is closed. In fact, the significant progress we have made over the last 20 years cleaning up contaminated sites on active DOD installations is expected to reduce the residual environmental liability.

Environmental Technology

A key part of DOD's approach to meeting its environmental management obligations and improving its performance is its pursuit of advances in science and technology. The Department has a long record of success when it comes to developing innovative environmental technologies and getting them transferred out of the laboratory and into actual use on our remediation sites, installations, ranges, depots, and other industrial facilities. These same technologies are also now widely used at non-Defense sites helping the Nation as a whole.

While the fiscal year 2014 budget request for Environmental Technology overall is $214.0 million, our core efforts are conducted and coordinated through two key programs—the Strategic Environmental Research and Development Program (SERDP–STCP—which validates more mature technologies to transition them to widespread use). The fiscal year 2014 budget request includes $72.3 million for SERDP and $39.5 million for the Environmental Security Technology Certification Program (ESTCP) for environmental technology demonstrations. (The budget request for ESTCP includes an additional $32.0 million for energy technology demonstrations.)

These programs have already achieved demonstrable results and have the potential to reduce the environmental liability and costs of the Department—developing new ways of treating groundwater contamination, reducing the life-cycle costs of multiple weapons systems, and most recently, developing technology that allows us to discriminate between hazardous unexploded ordnance and harmless scrap metal without digging up an object. This last development promises to reduce the liability of the MMRP program by billions of dollars and accelerate the current cleanup timelines for sites within the program—without it, we experience a 99.99 percent false positive rate and are compelled to dig up hundreds of thousands of harmless objects on every MMRP site. We are proceeding deliberately and extremely successfully with a testing and outreach program designed to validate the technology while ensuring cleanup contractors, State and Federal regulators, and local communities are comfortable with the new approach. We are already beginning to use this new tool at a few locations, but hope to achieve more widespread use within the next few years.

Environmental Conservation and Compatible Development

In order to maintain access to the land, water, and airspace needed to support our mission needs, the Department continues to manage successfully the natural resources entrusted to us—including protection of the many threatened and endangered species found on our lands. DOD manages over 28 million acres containing some 420 federally listed threatened or endangered species, more than 520 species-at-risk, and many high-quality habitats. A surprising number of these species are endemic to military lands—that is, they are found nowhere else in the world—including more than 10 listed species and at least 75 species-at-risk.

While we make investments across our enterprise focused on threatened or endangered species, wetland protection, or protection of other natural, cultural, and historical resources, I wanted to highlight one particularly successful and innovative program, REPI, for which we are requesting $50.6 million in fiscal year 2014.

REPI is a key tool for combating the encroachment that can limit or restrict military test and training. Under REPI, DOD partners with conservation organizations and State and local governments to preserve buffer land near installations and ranges. Preserving these areas allows DOD to avoid much more costly alternatives, such as workarounds, segmentation, or investments to replace existing test and training capability, while securing habitat off of our installations and taking pressure off of the base to restrict activities. REPI supports the warfighter and protects

the taxpayer because it multiplies the Department's investments with its unique cost-sharing agreements. Even in these difficult economic times for States, local governments, and private land trusts, REPI partners continue to directly leverage the Department's investments one-to-one. In other words, we are securing this buffer around our installations for half-price.

In 10 years of the program, REPI partnerships have protected more than 270,000 acres of land around 64 installations in 24 States. This land protection has resulted in tangible benefits to test and training, and also significant contribution to biodiversity and endangered species recovery actions. For example, the U.S. Fish and Wildlife Service recently found it was not warranted to list a butterfly species as endangered in Washington State, citing the "high level of protection against further losses of habitat or populations" from Joint Base Lewis-McChord's REPI investment on private prairie lands in the region. In California, the U.S. Fish and Wildlife Service exempted Marine Corps Base Camp Pendleton populations of Riverside fair shrimp from critical habitat designation because of ongoing base management activities and off-post buffer protection. Both of these actions allow significant maneuver areas to remain available and unconstrained for active and intense military use at both locations.

HIGHLIGHTED ISSUES

In addition to the budget request, there are several legislative requests and other initiatives that have received interest from Congress. In the sections that follow, I highlight five specific items of interest: (1) BRAC, (2) European Basing Consolidation, (3) Rebasing of marines from Okinawa to Guam, (4) DOD Facilities Energy Programs, and (5) Request for Legislative Land Withdrawals.

1. BRAC

The administration is requesting authority from Congress to conduct a BRAC round in 2015.

The Department is facing a serious problem created by the tension caused by declining budgets, reductions in force structure, and limited flexibility to adapt our infrastructure accordingly. We need to find a way to strike the right balance, so infrastructure does not drain resources from the warfighter. Without question, installations are critical components of our ability to fight and win wars. Whether that installation is a forward operating location or a training center in the United States, our warfighters can't do their job without bases from which to fight, on which to train, or in which to live when they are not deployed. However, we need to be cognizant that maintaining more infrastructure than we need taxes other resources that the warfighter needs—from depot maintenance to training to bullets and bombs.

While the primary function of BRAC is to match infrastructure to missions, it is also about trimming excess so that resources otherwise wasted on unnecessary facilities can be reapplied to higher priorities. Savings from BRAC are substantial. The first four rounds of BRAC (1988, 1991, 1993, and 1995) are producing a total of about $8 billion in annual, recurring savings, and BRAC 2005 is producing an additional $4 billion in annual, recurring savings. This $12 billion total represents the savings that the Department realizes each and every year as a result of the avoided costs for base operating support, personnel, and leasing costs that BRAC actions have made possible.

An additional savings benefit of BRAC is that it enables the Department to execute the civilian workforce efficiencies plan required by the NDAA for Fiscal Year 2013. BRAC 2005 eliminated 13,000 civilian positions associated with closed installations and reorganized common business-oriented support functions. The BRAC 1993/95 rounds averaged 36,000 eliminations per round. Congress has already demanded these civilian personnel cuts, and if they are not made through BRAC, they will need to be made elsewhere.

We believe the opportunity for greater efficiencies is clear, based on three basic facts:

- In 2004, DOD conducted a capacity assessment that indicated it had 24 percent aggregate excess capacity;
- In BRAC 2005, the Department reduced only 3.4 percent of its infrastructure, as measured in Plant Replacement Value—far short of the aggregate excess indicated in the 2004 study;
- Force structure reductions—particularly Army personnel (from 570,000 to 490,000), Marine Corps personnel (from 202,000 to 182,000), and Air Force force structure (reduced by 500 aircraft)—subsequent to that analysis point to additional excess.

The fundamental rationale for using the BRAC process to achieve these efficiencies is to enable DOD, an independent commission, the public, and Congress to engage in a comprehensive and transparent process to facilitate the proper alignment of our infrastructure with our mission. As we witnessed last year, piecemeal attempts to improve the alignment of installations to mission are generally met with skepticism and resistance from Congress and State and local officials who question DOD's rationale to the extent that the proposed changes are effectively stopped. Indeed, recent statutory changes have further restricted the Department's ability to realign its installations. Absent BRAC, the Department is effectively locked into a status quo configuration. BRAC, therefore, should be an essential part of any overall reshaping strategy.

BRAC provides us with a sound analytical process that is proven. It has at its foundation a 20-year force structure plan developed by the Joint Staff; a comprehensive installation inventory to ensure a thorough capacity analysis; and defined selection criteria that place priority on military value (with the flexibility to express that in both a quantitative and qualitative way).

The BRAC process is comprehensive and thorough. Examining all installations and conducting thorough capacity and military value analyses using certified data enables rationalization of our infrastructure in alignment with the strategic imperatives detailed in the 20-year force structure plan. The merits of such an approach are twofold. First, a comprehensive analysis ensures that the Department considers a broad spectrum of approaches beyond the existing configuration to increase military value and align with our strategy. Second, the process is auditable and logical which enables independent review by the commission and affected communities. In its 2013 report GAO stated, "We have reported that DOD's process for conducting its BRAC 2005 analysis was generally logical, reasoned, and well-documented and we continue to believe the process remains fundamentally sound."

Additionally, and of primary importance, is the BRAC requirement for an "All or None" review by the President and Congress, which prevents either from picking and choosing between the Commission's recommendations. Together with the provision for an independent commission, this all-or-none element is what insulates BRAC from politics, removing both partisan and parochial influence, and demonstrating that all installations were treated equally and fairly. It is worth noting that the process validates the importance of those bases that remain and are then deserving of continued investment of scarce taxpayer resources.

The Department's legal obligation to close and realign installations as recommended by the Commission by a date certain, ensures that all actions will be carried out instead of being endlessly reconsidered. That certainty also facilitates economic reuse planning by impacted communities.

Finally, after closure, the Department has a sophisticated and collaborative process to transition the property for reuse. The Department is mindful of the significant toll BRAC has on our host locations. Our Office of Economic Adjustment (OEA) provides technical and financial support to help these communities through closure, disposal, and redevelopment with a program tailored to their specific planning and implementation requirements. The former installation is often the single greatest asset for impacted communities to redevelop and restore a lessened tax base and the lost jobs from closure. One of the most important disposal authorities available to help impacted communities with job creation is the Economic Development Conveyance (EDC). The Department is using the full breadth of this authority to structure conveyances into win-win agreements wherein communities can create jobs and bolster their local tax base, and the Department sees increased savings through reduced property maintenance costs and participation in the cash flows from successful local redevelopment efforts.

The Department anticipates approximately 13,000 jobs will be generated by 8 EDCs for real and related personal property at the following BRAC 2005 locations: Kansas Army Ammunition Plant, KS; Lone Star/Red River Army Depot, TX; Naval Air Station (NAS) Brunswick, ME; Newport Chemical Depot, IN; Buckley Annex, CO; Fort Monmouth, NJ; Pascagoula Naval Station, MS; and Ingleside Naval Station, TX. The Department anticipates approving additional EDCs in fiscal years 2013 and 2014.

2. European Basing Consolidation

In response to last year's request for BRAC authority, many in Congress asserted that we should look first at our overseas infrastructure for reductions. Even though we have already made substantial reductions over the last several years in our European-based personnel and infrastructure, upcoming force structure changes and a focus on greater joint utilization of assets should produce additional opportunities for reducing infrastructure while preserving required capabilities.

To that end, on January 25, then Secretary Panetta directed the Department to initiate a review of our European footprint, stating: "Consolidation of our footprint in Europe will take into account the shift in strategic focus to the Pacific; the planned inactivation of two Brigade Combat Teams and associated support forces; reductions in Air Force units; and decreasing requirements for support to the ongoing conflict in Afghanistan."

In response, we have initiated a comprehensive infrastructure analysis effort that will identify potential closure/consolidation scenarios. We are developing business case analyses for this task, taking operational impacts, return on investment, and military value into consideration. By the end of this year we plan to conclude with a fully vetted list of options from which the Secretary can make strategic investment decisions.

Through this process we seek to create long-term savings by eliminating excess infrastructure, recapitalizing astutely to create excess for elimination, and closing and/or consolidating sites. The results will ultimately validate our enduring European infrastructure requirements, providing an analytical basis to support sustainment funding and future recapitalization.

3. Rebasing of Marines to Guam

One important rebasing initiative that has received continued attention from Congress is our plan to realign several thousand marines from Okinawa to Guam. The Government of Japan has welcomed the U.S. strategy to rebalance defense priorities toward the Asia-Pacific region and U.S. efforts to advance its diplomatic engagement in the region. To achieve the goals of the shared partnership between the two countries, the U.S.-Japan Security Consultative Committee (SCC) decided to adjust the plans outlined in the original 2006 "Realignment Roadmap".

On April 27, 2012, the SCC issued a joint statement detailing changes to the plans. Specifically, the United States and Japan separated the requirement of tangible progress on the construction of the Futenma Replacement Facility (FRF) before the movement of marines to Guam, from other marine restationing efforts on Okinawa to return lands to local communities. Also, while the overall number of marines planned to leave Okinawa remained essentially the same (approximately 9,000), the new distributed laydown will result in fewer marines (and accompanying family members) being restationed to Guam (approximately 5,000) with the remainder of the forces moving to Hawaii and the continental United States.

The revised laydown, commonly referred to as the "distributed laydown" establishes fully capable Marine Air Ground Task Forces (MAGTF) (maritime, air, ground, logistics, and associated lift) in Okinawa, Guam (~5,000), Australia (~2,500 through a rotational deployment) and Hawaii (~2,700) and ensures that individual MAGTFs can respond rapidly to low-end contingencies (e.g., humanitarian assistance/disaster relief, counter-piracy, etc.) while also ensuring that the force can aggregate quickly to respond to high-end contingencies. Additionally, the revised laydown increases our ability over time to train and exercise with allies and partners throughout the region.

The President's fiscal year 2014 budget request includes $85 million for construction of an aircraft hangar at the north ramp of Andersen Air Force Base (AFB). In addition to supporting the Marine Corps Aviation Combat Element relocation to Guam, this facility can also be utilized to meet current operational requirements of Marine units in the Pacific. Our request includes another $273.3 million for nonmilitary assistance to address Guam water and wastewater improvements. As a result of the fragile state of Guam's water and wastewater infrastructure, remedies and new infrastructure are required to support existing military missions, as well as potential growth associated with the Department's rebalance to the Asia-Pacific region. Numerous Federal agencies, including the EPA, worked with the Department and validated these water and wastewater requirements, concluding significant capital improvements were necessary.

Finally, as a result of the adjustments to the laydown of marines on Guam, the Department must conduct a Supplemental Environmental Impact Study (SEIS). This SEIS supersedes and expands on the previously initiated Live Fire Training Range Complex (LFTRC) SEIS by incorporating the requirement for a new Marine Corps cantonment area on Guam. With the reduction in the size of future Marine forces in Guam, the National Environmental Policy Act requirements are being combined in order to determine the optimal locations for the range complex, cantonment and housing relative to each other and the Record of Decision is anticipated in February 2015.

4. DOD Facilities Energy Programs

The Department has focused on facilities energy for three key reasons: to reduce costs; improve the energy security of our fixed installations; and achieve DOD's stat-

utory energy goals. Energy bills are the largest single cost in our facilities operations accounts, and any effort to reduce the cost of installations must include efforts to reduce them. Moreover, given the reach of our installations to provide direct support to operational forces, we must reduce the vulnerability of our installations to possible outages of the electric grid. DOD has statutory energy goals for energy intensity and renewable energy among other statutory goals.

Our approach to achieving these goals has four elements: reduce the demand for traditional energy through conservation and improved energy efficiency; expand the supply of renewable and other distributed (on-site) generation sources; enhance the energy security of our installations directly (as well as indirectly, through the first two elements); and leverage advanced technology.

Reduce Demand

From DOD's new energy budget data system within the Department's fiscal year 2014 budget request, there are approximately $1 billion in energy conservation investments, mostly for investments in repair and upgrading systems in existing buildings. The preponderance of these investments are within the FSRM accounts along with other necessary investments in maintaining our existing real property. As mentioned in that section above, this constrained funding follows significant reductions in energy conservation investments from sequestration reductions in fiscal year 2013, which will make achievement of DOD's statutory energy intensity goals impossible to attain for the foreseeable future. One account that is singled out is the ECIP, a MILCON appropriation for which we are requesting $150 million. DOD also is investing more than $2 billion in energy conservation projects for Operational Energy, including aviation and other transportation fuels that are used on DOD bases.

The Services also use third-party financing tools, such as Energy Savings Performance Contracts and Utility Energy Service Contracts, to improve the energy efficiency of their existing buildings. While such performance-based contracts have long been part of the Department's energy strategy, in fiscal year 2012 the DOD committed to award nearly $1.2 billion in performance-based contracts by the end of 2013, or soon thereafter, in response to the President's Dec. 2, 2011 commitment ($2 billion in such contracts Federal Government-wide). To date, the Department has awarded 39 contracts worth $362 million with another approximately ~$930 million in contracts under development.

In addition to retrofitting existing buildings, we are taking advantage of new construction to incorporate more energy-efficient designs, material and equipment into our inventory. This past March, I issued a new construction standard for high-performance, sustainable buildings, which will govern all new construction, major renovations, and leased space acquisition. This new standard, which incorporates the most cost effective elements of commercial standards like ASHRAE 189.1, will accelerate DOD's move toward efficient, sustainable facilities that cost less to own and operate, leave a smaller environmental footprint, and improve employee productivity.

Collection of accurate, real-time facility energy information remains a priority. My office continues to lead the development of an Enterprise Energy Information Management system (EEIM) that will collect facility energy data in a systematic way. The EEIM will also provide advanced analytical tools that allow energy professionals at all levels of the Department both to improve existing operations and to identify cost-effective investments. In order to make EEIM a reality, the Department must vastly increase the deployment of advanced energy meters, capable of automatically collecting energy use information.

Expand Supply of Onsite Energy

DOD is increasing the supply of renewable and other distributed (onsite) sources of energy on our installations. Onsite energy is critical to making our bases more energy secure. The Military Departments have each established a goal to develop 1 gigawatt (GW) of renewable energy (RE) by 2025. Almost all projects will be third-party financed, using existing authorities (e.g., 10 U.S.C. Sec. 2922a and enhanced use leases).

The Army issued a Multiple Award Task Order Contract Request for Proposal for $7 billion in total contract capacity for RE. Army projects currently underway include Fort Bliss, TX (1 MW Solar PV), White Sands Missile Range, NM (4.5 MW Solar PV), and Fort Carson, CO (2 MW Solar PV). The Navy has a goal to produce at least 50 percent of the Navy's shore-based energy requirements from renewable sources by 2020. Projects currently underway include Marine Corps Air Station, Miramar, CA (3 MW Landfill Gas), Marine Corps Logistics Base, Barstow, CA (1.5MW Solar PV), Naval Air Weapons Station (NAWS) China Lake, CA (13.8 MW

Solar PV) and Marine Corps Air Ground Combat Center (MCAGCC) Twentynine Palms, CA (1.2 MW Solar PV). The Air Force is using existing authority to lease non-excess land for the development of large-scale RE projects, the first of which is under negotiation at Edwards AFB, CA (200 MW Solar PV projected to come on line in 2016).

Where renewable energy development is compatible with the military mission, certain public lands that have been withdrawn for military purposes offer a significant opportunity to improve our energy security while lowering the cost of energy. My office continues to work closely with the Department of Interior (DOI) to identify and overcome impediments to the execution of renewable energy projects on such lands.

Enhance Security

DOD is focusing on a diverse set of solutions to enhance facility energy security. These include prioritization agreements with utilities, addressing operations and maintenance of current back-up generators, microgrids, fuel supply and storage, and ensuring reliable access to fuel in the case of emergencies (e.g., Hurricane Sandy–Defense Logistics Agency-Energy and Federal Emergency Management Agency interagency partnership). Multiple demonstration projects are currently underway to assess the benefits and risks of alternative advanced microgrid and storage technologies.

Leverage Advanced Technology

DOD's Installation Energy Test Bed Program was established to demonstrate new energy technologies in a real-world, integrated building environment so as to reduce risk, overcome barriers to deployment, and facilitate widespread commercialization. DOD is partnering with the Department of Energy (DOE) and reaching out directly to the private sector to identify those energy technologies that meet DOD's needs. The fiscal year 2014 budget request includes $32 million for the Test Bed under the ESTCP.

The Test Bed has more than 85 projects underway in five broad areas: advanced microgrid and storage technologies; advanced component technologies to improve building energy efficiency, such as advanced lighting controls, high performance cooling systems, and technologies for waste heat recovery; advanced building energy management and control technologies; tools and processes for design, assessment, and decisionmaking on energy use and management; and on-site energy generation, including waste-to-energy and building integrated systems. The rigorous Installation Energy Test Bed Program provides an opportunity for domestic manufacturers to demonstrate the technical and economic feasibility of implementing their innovative products. These demonstrations provide the credible evidence needed by investors to commercialize emerging technologies to serve the DOD and broader markets.

A Note on Renewable Energy Siting

While the DOD has embraced renewable energy projects that improve energy security and reduce cost, and each service has established approximately 1 GW goals for the production of renewable energy on their installations, we are also responsible for evaluating the impact of these projects on our mission and objecting where there is unacceptable risk to national security. While most transmission and renewable energy projects are compatible, some can interfere with test, training, and operational activities. DOD created the Siting Clearinghouse to serve as the single point of contact for energy and transmission infrastructure issues at the DOD level. The goal of this body is to facilitate timely, consistent, and transparent energy siting decisions, while protecting test, training, and operational assets vital to the national defense.

During 2012, the Clearinghouse oversaw the evaluation by technical experts of 1,769 proposed energy projects; 1,730 of these commercial projects, or 98 percent, were cleared (assessed to have little or no impact to DOD test, training, or operational missions). These 1,730 projects represent 38 GWs of potential renewable energy generation. The 39 projects that have not been cleared are undergoing further study, and the Clearinghouse is working with industry, State, tribal, and local governments, and Federal permitting and regulatory agencies to identify and implement mitigation measures wherever possible.

In addition to reviewing projects, the Clearinghouse has conducted aggressive outreach to energy developers, environmental and conservation groups, State and local governments, and other Federal agencies. By encouraging developers to share project information, we hope to avert potential problems early in the process. We are being proactive as well by looking at regions where renewable projects could

threaten valuable test and training ranges.[1] The Clearinghouse is working with DOE, Department of Homeland Security, and the Federal Aviation Administration to model the impact of turbines on surveillance radars, evaluate alternative mitigation technologies, and expedite fielding of validated solutions.

Finally, the Clearinghouse is taking advantage of section 358 of the NDAA for Fiscal Year 2011, which allows DOD to accept voluntary contributions from developers to pay for mitigation. For example, the Clearinghouse and the Navy have negotiated two agreements that provide for developer contributions for mitigation measures to protect the precision approach radar at the NAS Kingsville, TX, from wind turbine impacts. The agreements facilitate the continued growth of wind energy generation along the Texas Coastal Plain while providing for the safety of student pilots at NAS Kingsville and NAS Corpus Christi. We believe there will be other situations where developers will wish to contribute funds toward mitigation measures in order to realize a much larger return on a project; section 358 is an extremely useful, market-based tool that allows us to negotiate these win-win deals.

5. BLM Land Withdrawals

The Department has a number of installations, training areas, and ranges that are located partially or wholly on public lands temporarily or permanently withdrawn from public use. Public lands are managed by DOI through the Bureau of Land Management (BLM). Withdrawals of public lands for military use require joint actions by DOD and DOI. Withdrawals exceeding 5,000 acres must be authorized by congressional legislation. Depending on the terms of the prior legislation, some withdrawals must be renewed by legislative action every 20–25 years.

Presently, withdrawals for NAWS, China Lake, CA, and the Chocolate Mountain Aerial Gunnery Range (CMAGR), CA, expire on October 31, 2014. Additionally, the Army needs to convert its use of public lands at the Montana Army National Guard, Limestone Hills Training Area, from a BLM issued right-of-way to a legislative withdrawal. Finally, the Marine Corps seeks a new withdrawal of public lands at MCAGCC Twentynine Palms, CA, to expand its training areas to support increased requirements.

NAWS China Lake

NAWS China Lake consists of over 1.1 million acres of land of which 92 percent are withdrawn public lands. The current legislative withdrawal, expiring in 2014, is for a 20-year term. Under a Memorandum of Understanding between the Department of the Navy and the DOI, the Commanding Officer of NAWS China Lake is responsible for managing the withdrawn land. The installation is home to approximately 4,300 DOD personnel and its primary tenant is the Naval Air Warfare Center Weapons Division.

Chocolate Mountain Aerial Gunnery Range

The Chocolate Mountain range was established in 1941. The range consists of about 459,000 acres of which approximately 227,000 acres are withdrawn public lands under the co-management of the Marine Corps and BLM. The current 20-year withdrawal is set to expire on October 31, 2014. Its primary uses are aviation weapons training, including precision guided munitions, and Naval Special Warfare (SEAL) training ranges. It is the only Marine Corps aviation range that is capable of accommodating training with precision-guided munitions. Failure to renew the legislative withdrawal will have the practical effect of shutting the entire range down because it is an unusual checkerboard configuration of several hundred parcels of alternating fee-owned DOD land and withdrawn public lands.

Limestone Hills Training Area

The Limestone Hills Training Area consists of 18,644 acres of land in Broadwater County, MT, that has been used for military training since the 1950s. In 1984 the BLM issued the Army a right-of-way, formally permitting use of the training area for military purposes. The current right-of-way expires on March 26, 2014. The Montana Army National Guard is the primary DOD user of the training area but it is also used by Reserve and Active components from all branches of the Military Services for live fire, mounted and dismounted maneuver training, and aviation training. The legislative withdrawal of the Limestone Hills Training area is necessary because the BLM has determined that it no longer has the authority to per-

[1] DOD is conducting a study to identify areas of likely adverse mission impact in the region that is home to China Lake and Edwards AFB in California, and Nellis AFB and the Nevada Test and Training Range in Nevada. These installations are the Department's premier sites for test and evaluation and require a pristine environment clear of interference. The results of the study can be used by developers as a risk-management tool.

mit the use of the property for military use under a right-of-way instrument. If the legislative withdrawal is not enacted, the use of the training area will be suspended and the Department will lose access to valuable training areas, operational readiness will be negatively impacted, and training costs will increase.

Marine Corps Air Ground Combat Center Twentynine Palms

At MCAGCC Twentynine Palms, the Department proposes to withdraw approximately 154,000 acres of public lands adjacent to the Combat Center. The added training lands would create a training area of sufficient size with characteristics suitable for the Marine Corps to conduct Marine Expeditionary Brigade (MEB) level training. MEB training requires sustained, combined-arms, live-fire, and maneuver training of three Marine battalions with all of their associated equipment moving simultaneously towards a single objective over a 72-hour period. The Department has no other training area within its inventory, including the National Training Center at Fort Irwin, CA, where it can conduct such training.

The Department has worked since 2007 with the DOI, the BLM, and the Federal Aviation Administration in preparation for the withdrawal. During that period, the Department of the Navy has received numerous comments concerning the potential loss of use of the proposed withdrawal property to off-road recreational vehicle use. The Department's proposed withdrawal provides for continued access by off-road recreational vehicles to just under half of the Johnson Valley Off-Highway Vehicle (OHV) area. About 43,000 acres of the withdrawn lands will be open to year-round OHV use and an additional 43,000 acres of the withdrawn lands will be available to OHV use for 10 months out of the year provided there is no active military training. Without the legislative withdrawal of these lands, the Marine Corps will be unable to train its premier forcible entry force, MEBs, to deploy and perform the missions and operations that the Department requires of them.

Because of the looming expiration dates of the current withdrawals for NAWS China Lake and CMAGR and the BLM issued right-of-way for the Limestone Hills Training Area, as well as the continuing Marine Corps training requirement shortfalls, DOD, with DOI's concurrence and cooperation, is leading the renewal process and proposes that the withdrawals be enacted with the NDAA for Fiscal Year 2014. This is somewhat different, in that in past withdrawals, the DOI typically introduced the withdrawal proposals to its congressional committees. However, the Department opted to combine these four withdrawals into a single legislative proposal. Unlike prior legislative withdrawals which were uncodified, stand-alone provisions of law, DOD is proposing that these withdrawals be made in a new chapter of title 10, U.S.C. This would allow commonality among the withdrawal provisions, place them in a location that is easy to find and refer to, and, if used for future withdrawals, reduce the need to reconsider and revise provisions on responsibilities, rights, and requirements with each proposal. An important objective of the consolidated approach is to make the withdrawal process substantially more efficient.

The need to enact legislation and authorize these four withdrawals is urgent. The consequences of failing to enact withdrawal legislation could, in some of these instances, cause severe impacts on the Department if it is forced to stop training and operations. In all cases, the Department has a compelling need for the withdrawn land in order for it to successfully conduct its training, missions, and operations with the capabilities and competence that it must maintain.

Senator SHAHEEN. Thank you very much.

Secretary Hammack?

STATEMENT OF HON. KATHERINE G. HAMMACK, ASSISTANT SECRETARY OF THE ARMY, INSTALLATIONS, ENERGY AND ENVIRONMENT

Ms. HAMMACK. Thank you very much, Chairman Shaheen and Ranking Member Ayotte. I am delighted to be here with you this morning and other members of the subcommittee. I want to thank you for the opportunity to present the Army's fiscal year 2014 MILCON budget.

For fiscal year 2014, the Army requests $2.4 billion for MILCON, Army Family Housing, and the Army's share of the DOD BRAC account. This represents a 34 percent decrease from the fiscal year 2013 request.

In addition to and in support of Army installations and facilities, the Army also requests $15.2 billion for installation, energy, and environmental programs, facilities sustainment, restoration, and modernization, and base operating support.

With the fiscal challenges we are facing, the Army has closely reviewed the facility investments to determine the level of resources needed to support the force. Supporting the force requires appropriate facilities, training ranges, maintenance and operations, and that is where we have focused.

But as you are well aware, the Army is reducing our end strength from a high of 570,000 in 2010 to 490,000 in 2017. In January of this year, we published a Programmatic Environmental Assessment (PEA) which was prepared in accordance with the National Environmental Policy Act, and a signed finding of no significant impact was published earlier this month.

The resulting force structure reduction will create excess capacity at several installations. With a reduced end strength and force structure in the United States, now is the time to assess and right-size the supporting infrastructure. In line with force structure reductions in Europe, the Army is already downsizing our infrastructure in Europe.

With a 45 percent reduction in force structure, the Army is implementing a 51 percent reduction in infrastructure, a 58 percent reduction in civilian staffing, and a 57 percent reduction in base operating costs. A future round of BRAC in the United States is essential to identify excess Army infrastructure and prudently align civilian staffing with reduced uniformed force structure just like we are doing in Europe.

We are also working closely with OSD to examine whether there are additional opportunities for consolidation in Europe through joint or multi-service consolidation.

We do have property remaining from prior rounds of BRAC in the United States, and BRAC property conveyance remains an Army priority. Putting excess property back into productive reuse can facilitate job creation, help communities build the local tax base, and generate revenue. In total, the Army has conveyed almost 78 percent of the total prior BRAC acreage.

In closing, I ask for the committee's continued support to our soldiers, families, and civilians in support of the Army's MILCON installations program. The Army's fiscal year 2014 installation management budget request is a program that supports the Army's needs while recognizing the current fiscal conditions. The Army does request authority from Congress to conduct a BRAC round in 2015 because the Army's strength is our soldiers, families, and Army civilians who support them. They are, and will continue to be, the centerpiece for the Army.

Thank you for your attention, and I look forward to your questions.

[The prepared statement of Ms. Hammack follows:]

PREPARED STATEMENT BY HON. KATHERINE G. HAMMACK

INTRODUCTION

Chairman Shaheen, Ranking Member Ayotte, and members of the committee, on behalf of the soldiers, families, and civilians of the U.S. Army, I want to thank you

for the opportunity to present the Army's fiscal year 2014 Military Construction (MILCON) and Family Housing budget request.

The Army's fiscal year 2014 MILCON budget request supports the Chief of Staff of the Army (CSA) priority of developing the force of the future, Army 2020 as part of the Joint Force 2020—a versatile mix of capabilities, formations, and equipment. Within the current fiscal climate, the Army Installation Management Community is focusing its resources to sustain, restore, and modernize facilities to support the CSA's Army Facility Strategy 2020 and Facility Investment Strategy priorities. The Installation Management Community is focused on providing the facilities necessary to enable the world's best trained and ready land force of the future.

We ask for the committee's continued commitment to our soldiers, families, and civilians and support of the Army's MILCON and installations programs. The Army's strength is its soldiers and the families and Army civilians who support them. They are and will continue to be the centerpiece of our Army. America's Army is the strength of the Nation.

OVERVIEW

The Army's fiscal year 2014 President's budget requests $2.35 billion for MILCON, Army Family Housing (AFH), and the Army's share of the Department of Defense (DOD) Base Closure Account (BCA). The request represents 1.8 percent of the total Army budget and a 34 percent reduction from the fiscal year 2013 request. The $2.35 billion request includes $1.12 billion for the active Army, $321 million for the Army National Guard, $174 million for the Army Reserve, $557 million for AFH, and $180 million for Base Realignment and Closure (BRAC) to address environmental and caretaker requirements at previously closed BRAC sites. In addition and in support of Army installations and facilities, the President's budget request includes $1.7 billion for installation energy, $789 million for environmental programs, $3.8 billion for Facilities Sustainment/Restoration & Modernization (FSRM), and $8.9 billion for Base Operations Support (BOS).

The budget request reflects a return to pre-fiscal year 2000 spending levels for the MILCON accounts. From fiscal year 2001 through fiscal year 2011, the MILCON program grew rapidly to support the changes required of the Army at that time. The Army supported combat operations in two theaters, increasing end strength, the Global Defense Posture Realignment, the operationalization of the Reserve components, and transformation of the Army infrastructure through BRAC 2005. With the fiscal reality that we are facing as a Nation, in addition to the reductions of the Budget Control Act of 2011, the Army closely reviewed its facility investments necessary to support the force with versatile facility capabilities. This MILCON budget request reflects the necessary focused investments in training, maintenance, and operations to enable the future force of the All Volunteer Army of 2020 in a constrained fiscal environment.

ARMY 2020 FORCE STRUCTURE

The Army is in the process of reducing its end strength and force structure. We are steadily consolidating and reducing our overseas force structure. In fiscal year 2013, the Army announced that two brigades in Europe would be deactivated, and that V Corps would not be returning to Europe upon the completion of its deployment to Afghanistan. In coordination with the Office of the Secretary of Defense (OSD), the Army is examining cost-effective opportunities to facilitate Joint and/or multi-service infrastructure consolidation at our overseas installations, with a specific focus in Europe.

On January 19, 2013, the Army published a Programmatic Environmental Assessment (PEA), which was prepared in accordance with the National Environmental Policy Act). The PEA analyzes the environmental and socio-economic impacts associated with two alternative approaches to reducing our force structure. In the PEA, the Army set a "stop loss" threshold so that no multi-Brigade Combat Team (BCT) installation would lose more than 2 BCTs, or 8,000 total military and civilian employee personnel, under the worst-case scenario.

The force structure reduction is likely to create excess capacity at several installations. If an installation's assigned military forces are reduced significantly, it logically follows that some number of civilian personnel functions may no longer be required to support our soldiers and families. The Army has not yet initiated any capacity analysis to determine the level of excess infrastructure.

In line with the Budget Control Act of 2011 and the new defense strategy announced in January 2012, the fiscal year 2013 budget significantly reduced the Army's future funding projections. Along with the end of the wars in Iraq and Afghanistan, these changes have put the Army on a path to shrink its active duty end

strength from its peak of 570,000 in fiscal year 2010, to 490,000 by fiscal year 2017. This is a reduction of 80,000 soldiers, or approximately 14 percent, from the Active component. As former Defense Secretary Leon Panetta stated about force reductions, "you can't have a huge infrastructure supporting a reduced force." These reductions will affect every installation in the Army. Further, these reductions are already programmed into the Army budget baseline.

Additional cuts to the Army's budget, of the magnitude associated with sequestration, may drive our Active component end strength down below 490,000. If the Army is forced to take additional cuts due to the reduction in the outyear discretionary caps, we would need to reduce further the number of soldiers out of the Active component, National Guard, and U.S. Army Reserve. This would create even greater pressure to bring infrastructure and civilian staffing into proper alignment with force structure demands.

BASE REALIGNMENT AND CLOSURE

If Army force structure declines, but the facility overhead and civilian support staff remain constant, then our investments in equipment, training, and maintenance will become distorted.

The supporting infrastructure, as well as the civilian positions at our installations, should be reviewed to determine whether they are in line with reductions in end strength and force structure. The alternative is an installations budget that spends tens or even hundreds of millions of dollars to maintain unused facilities. This scenario would divert the Army's shrinking resources away from much needed investments in readiness, equipment, and training. Failure to properly resource programs supporting Army families and soldier readiness will lead to an all volunteer military that is hollowed out and weakened.

At our installations, excess infrastructure, if unaddressed, will force the Army to spread its remaining resources so thinly that the ability of our installation services to support the force will suffer. We will have more buildings in our inventory that require maintenance than we have force structure to validate a requirement. Eventually, excess infrastructure and staff overhead will increase the risk of either spending a disproportionate share of scarce budget resources on sustainment, or not being able to perform the most basic services correctly. For instance, Army civilian and contractor staff that run our digitized training ranges could be spread so thinly that the scheduling and throughput of training events at home station could suffer. As these negative effects accumulate, the remaining soldiers and families will be more likely to vote with their feet and leave the Army in an unplanned manner.

Four of the prior rounds of BRAC were implemented as the Cold War was winding down and the Army's force structure was rapidly declining. The combined 1988, 1991, 1993, and 1995 rounds (i.e., "prior BRAC") produced 21 major base closures, 27 significant realignments, $5 billion in implementation costs, with over $3 billion in one-time savings, and almost $1 billion in annual reoccurring savings. Among them was the closure of Fort Ord, CA. Fort Ord was the first and only divisional post closed under BRAC, which reflected the Army's reduction of its Active component strength from 12 to 10 divisions.

BRAC 2005 generated $4.8 billion in one-time savings and provides over $1 billion in net annual recurring savings for the Army. These savings were generated with an implementation period investment of about $18 billion. The Army accounted for BRAC savings when developing its fiscal year 2007 and subsequent budget requests. This downward budget adjustment was beneficial to the installation program overall; it resulted in real savings.

We are requesting authority from Congress to conduct a BRAC round in 2015.

ARMY 2020 FACILITY STRATEGY

As we shape the Army of 2020 through a series of strategic choices over the coming months and years, the Installation Management Community looks to implement its Army Facility Strategy 2020 (AFS 2020) to provide quality, energy efficient facilities in support of the force and the CSA priorities.

AFS 2020 provides a strategic framework that synchronizes the Army Campaign Plan, the Total Army Analysis, and Army Leadership priorities in determining the appropriate funding to apply in the capital investment of Army facilities at Army installations and Joint Service bases across the country. AFS 2020 is a cost effective and efficient approach to facility investments that reduces unneeded footprint, saves energy by preserving and encouraging more efficient facilities, consolidates functions for efficient space utilization, demolishes failing buildings, and uses appropriate excess facilities as lease alternatives in support of the Army of 2020.

AFS 2020 incorporates a Facility Investment Strategy (FIS) that contains four components executed with MILCON and/or Operations and Maintenance (O&M) funding. FIS includes sustaining/maintaining required facilities; disposing of identified excess facilities by 2020; improving existing facility quality; and building out critical facility shortfalls to include combat aviation brigades, initial entry training barracks, maintenance facilities, ranges, and training facilities.

FISCAL YEAR 2014 BUDGET REQUEST—MILITARY CONSTRUCTION, ARMY

The fiscal year 2014 Military Construction, Army (MCA) budget requests an authorization of $978 million and appropriations for $1,120 million. The difference between the authorization and the appropriations requests is the $42 million to fund the second increment of the Cadet Barracks at the U.S. Military Academy and $99.6 million for planning and design (P&D), unspecified minor military construction (UMMC), and host nation support. The Cadet Barracks was fully authorized in the National Defense Authorization Act (NDAA) for Fiscal Year 2013. This MCA budget request supports the MILCON categories of Barracks, Modularity, Redeployment/Force Structure, Revitalization, and Ranges and Training Facilities.

Barracks ($239 million/21 percent):

The fiscal year 2014 budget request will provide for 1,800 new initial entry training barracks spaces at 3 installations replacing current housing in relocatable and temporary buildings. The locations of these replacement projects are: Fort Gordon, GA; Fort Leonard Wood, MO; and Joint Base Langley-Eustis, VA. The final project in this category is $42 million for the second increment of the Cadet Barracks at the U.S. Military Academy, which was fully authorized in fiscal year 2013.

Modularity ($322 million/29 percent):

The Army will invest $247 million at Joint Base Lewis McChord, WA, and Fort Wainwright, AK, to construct facilities for the 16th Combat Aviation Brigade (CAB). These facilities provide critical Army aviation combat capability and Joint Force support and include aviation battalion complexes, an airfield operations complex, and an aircraft maintenance and aircraft storage hangars. The Army will construct a $75 million command and control facility at Fort Shafter, HI, for U.S. Army Pacific.

Redeployment/Force Structure ($337 million/30 percent):

The Army will invest $242.2 million for seven facilities to support the 13th CAB at Fort Carson, CO. The facilities include two aircraft maintenance hangars, a runway, a headquarters building, simulator buildings, a fire station, and a central energy plant. Fort Bliss, TX, will receive $36 million to construct a complex to support the activation of a Gray Eagle Company (Unmanned Aerial System) in support of the 1st Armor Division headquarters. A $4.8 million battlefield weather facility will support the airfield operations of the CABs at Fort Campbell, KY. The Army will construct a company operations complex and an O&M facility for a total of $54 million at unspecified worldwide locations as directed by DOD.

Revitalization: ($86.8 million/8 percent):

As part of the facility investment strategy of AFS 2020, the Army will invest in five projects to correct significant facility deficiencies or facility shortfalls to meet the requirements of the units and/or organization mission requirements. Projects included are the $63 million pier replacement and modernization at Kwajalein Atoll, a $2.5 million entry control building and a $4.6 million hazardous material storage facility for the National Interagency Bio-defense Campus at Fort Detrick, MD, a $5.9 million command and control operations facility at Fort Bragg, NC, and a $10.8 million air traffic control tower at Biggs Army Airfield, Fort Bliss, TX.

Ranges and Training Facilities ($35.5 million/3 percent):

The fiscal year 2014 budget request includes $35.5 million to construct ranges and simulation training facilities to maintain readiness of units and soldiers. The program will provide for a $17 million regional simulation center at Fort Leavenworth, KS, and a $4.7 million weapons simulation center in support of enlisted Initial Entry Training, and Officer and Noncommissioned Officer career courses at Fort Leonard Wood, MO. The Army will construct a $4.7 million automated sniper field fire range for Special Operations Forces training at Eglin Air Force Base, FL, and a $9.1 million multi-purpose machine gun range at Yakima Firing Center, WA, in support of Active and Reserve component unit training in the area.

Other Support Programs ($99.6 million/9 percent):

The fiscal year 2014 budget request includes $41.6 million for planning and design of MCA projects and $33 million for the oversight of design and construction of projects funded by host nations. As executive agent, the Army provides oversight of host nation funded construction in Japan, Korea, and Europe for all Services. The fiscal year 2014 budget also requests $25 million for unspecified minor construction.

MILITARY CONSTRUCTION, ARMY NATIONAL GUARD

The fiscal year 2014 Military Construction, National Guard (MCNG) budget requests an authorization of and an appropriation for $320,815,000. The MCNG program is focused on the MILCON categories of Modularity, Revitalization, and Ranges and Training Facilities.

Modularity ($121 million/37 percent):

The fiscal year 2014 budget request is comprised of seven projects, which include five readiness centers/Armed Forces Reserve centers in Illinois, Minnesota, Mississippi, New York, and South Carolina. This request also includes one vehicle maintenance shop in South Carolina, and one Army aviation support facility in Illinois.

Revitalization ($138 million/43 percent):

The Army National Guard budget funds 12 projects to replace failing and inefficient facilities. There is a maneuver area training and equipment site in the Commonwealth of Puerto Rico, readiness centers in Alabama and Wyoming, an Armed Forces Reserve center in Texas, enlisted transient training barracks in Michigan and Massachusetts, a vehicle maintenance shop and aircraft maintenance hangar in Missouri, a Civil Support Team ready building in Florida, an aviation training/maintenance facility in Pennsylvania, and two water utilities projects in Mississippi and Ohio. These projects will provide modernized facilities and infrastructure to enhance the Guard's operational readiness.

Ranges and Training Facilities ($21 million/7 percent):

The fiscal year 2014 budget request includes a scout reconnaissance range gunnery complex in Fort Chaffee, AR.

Other Support Programs ($41.2 million/13 percent):

The fiscal year 2014 Army National Guard budget request includes $29 million for planning and design of future projects and $12.2 million for unspecified minor MILCON.

MILITARY CONSTRUCTION, ARMY RESERVE

The fiscal year 2014 Military Construction, Army Reserve (MCAR) budget requests an authorization of $158,100,000 and an appropriation for $174,060,000. The MCAR program is focused on the MILCON categories of Revitalization and Ranges and Training Facilities. The difference between the authorization and appropriation requests funds P&D and UMMC.

Revitalization ($143.2 million/82 percent):

The fiscal year 2014 Army Reserve budget request includes nine projects that build out critical facility shortages and consolidate multiple failing and inefficient facilities with new operations and energy efficient facilities. The Army Reserve will construct four new Reserve centers in California, Maryland, North Carolina, and New York that will provide modern training classrooms, simulations capabilities, and maintenance platforms that support the Army force generation cycle and the ability of the Army Reserve to provide trained and ready soldiers for Army missions when called. The request includes a new access control point/mail/freight center and noncommissioned officer Academy dining facility at Fort McCoy, WI. At Joint Base McGuire-Dix-Lakehurst, NJ, the Army Reserve will construct a consolidated dining facility and central issue facility and eliminate four failing, Korean War era buildings. Lastly, the request will provide a modern total Army school system training center at Fort Hunter-Liggett, CA, in support of all Army units and soldiers.

Ranges and Training Facilities ($15 million/9 percent):

The budget request includes two ranges that will build out a shortage of automated, multipurpose machinegun ranges and modified record fire ranges at Joint Base McGuire-Dix-Lakehurst, NJ. The ranges will enable Active and Reserve component soldiers in the northeastern part of the country to hone their combat skills.

Other Support Programs ($16 million/9 percent):

The fiscal year 2014 Army Reserve budget request includes $14.2 million for planning and design of future year projects and $1.7 million for unspecified minor MILCON.

FAMILY HOUSING OPERATION AND MAINTENANCE, ARMY

The fiscal year 2014 budget request includes $512.8 million to support the Army's military family housing in the following areas: operations, utilities, maintenance, and repair; leased family housing; and oversight management of privatized housing. This request funds over 16,000 Army-owned homes in the United States and overseas, almost 6,500 leased residences worldwide, and government oversight of more than 86,000 privatized homes.

Operations ($101.7 million):

The Operations account includes four subaccounts: management, services, furnishings, and a small miscellaneous account. All operations subaccounts are considered "must pay accounts" based on actual bills that must be paid to manage and operate the AFH owned inventory. Within the management subaccount, Installations Housing Service Offices provide referral services for off-post housing for 67 percent of the Army families that reside in the local communities.

Utilities ($96.9 million):

The utilities account includes the cost of delivering heat, air conditioning, electricity, water, and wastewater support for owned or leased (not privatized) family housing units.

Maintenance and Repair ($107.6 million):

The Maintenance and Repair account supports annual recurring projects to maintain and revitalize AFH real property assets. This funding ensures that we appropriately maintain the 16,000 Army-owned housing facilities so that we do not adversely impact soldier and family quality of life.

Leasing ($180.9 million):

The Army Leasing program is another way to provide soldiers and their families with adequate housing. The fiscal year 2014 budget request includes funding for 1,369 temporary domestic leases in the United States, and 5,064 leased units overseas. The overseas leases include support for NATO housing in Belgium and U.S. Special Operations Command housing in the Dominican Republic, Jamaica, Colombia, and Miami.

Privatization ($25.7 million):

The Privatization account provides operating funds for portfolio and asset management and strategic oversight of privatized military family housing and it pays for civilian pay at 44 locations; travel; contracts for environmental and real estate functions, training, and real estate development and financial consultant services. The need to provide oversight over the privatization program and projects is reinforced in the NDAA for Fiscal Year 2013 which requires more oversight to monitor compliance, reviews, and reporting performance of the overall privatized housing portfolio and individual projects.

In 1999, the Army began privatizing family housing assets under the Residential Communities Initiative (RCI). The RCI program continues to provide quality housing that soldiers and their families and senior single soldiers can proudly call home. All scheduled installations have been privatized through RCI. RCI has met its goal to eliminate those houses originally indentified as inadequate and built new homes where deficits existed. RCI family housing is at 44 locations and is projected to eventually represent 98 percent of the onpost family housing inventory inside the United States. Initial construction and renovation investment at these 44 installations is estimated at $13.2 billion over a 3- to 14-year initial development period (IDP), which includes an Army contribution of close to $2 billion. All IDPs are scheduled to be completed by 2018. After all IDPs are completed, the RCI program is projecting approximately $34 billion in development throughout the 44 locations for the next 40 to 50 years. From 1999 through 2012, our partners have constructed 29,173 new homes, and renovated another 24,641 homes.

FAMILY HOUSING CONSTRUCTION, ARMY

The Army's fiscal year 2014 Family Housing Construction request is for $39.6 million for new construction and $4.4 million for planning and design. The Army will construct 56 single family homes at Fort McCoy, WI, to support the senior officer

and senior noncommissioned officer and families stationed there. Additionally, the Army will construct 29 townhouse style quarters in Grafenwoehr at Vilseck, Germany, as part of the consolidation and closure of the Bamberg and Schweinfurt garrisons.

BASE CLOSURE ACCOUNT

BRAC property conveyance remains an Army priority. Putting excess property back into productive re-use, which can facilitate job creation, has never been more important than it is today.

The NDAA for Fiscal Year 2013 consolidated BRAC Legacy and BRAC 2005 accounts into a single DOD BCA. The Army's portion of the fiscal year 2014 budget request is for $180,401,000. The request includes $50.6 million for caretaker operations and program management of remaining properties, and $129.8 million for environmental restoration efforts. In fiscal year 2014, the Army will continue environmental cleanup and disposal of BRAC properties. The funds requested are needed to keep planned cleanup efforts on track, particularly at prior-BRAC installations including Fort Ord, CA; Fort McClellan, AL; Fort Wingate, NM; Fort Devens, MA; and Savanna Army Depot, IL. Additionally, funds requested support environmental restoration projects at several BRAC 2005 installations such as Lone Star Army Ammunition Plant, TX; Kansas Army Ammunition Plant, KS; and Umatilla Chemical Depot, OR. Completing environmental remediation is critical to transferring property back into productive reuse and job creation.

In total, the Army has conveyed almost 219,000 acres (78 percent of the total BRAC acreage disposal requirement of 279,000 acres), with approximately 61,000 acres remaining. The current goal is for all remaining excess property (22 percent) to be conveyed by 2021. Placing this property into productive reuse helps communities rebuild the local tax base, generate revenue, and replace lost jobs.

ENERGY

The Army is moving forward to address the challenge of Energy and Sustainability on our installations. In fiscal year 2014, the Installation Energy budget totals $1.719 billion and includes $43 million from the DOD Defense-wide MILCON appropriation for the Energy Conservation Investment Program (ECIP), $344 million for Energy Program/Utilities Modernization program, $1,332 million for Utilities Services, and $5.0 million for installation related Science and Technology research and development. The Army conducts financial reviews, business case and life cycle cost analysis, and return on investment evaluations for all energy initiatives.

ECIP ($43 million):

The Army invests in energy efficiency, onsite small scale energy production, and grid security through the DOD's appropriation for ECIP. In fiscal year 2014, the DOD began conducting a project-by-project competition to determine ECIP funding distribution to the Services. The Army received $43 million for 11 projects to include 6 energy conservation projects, 4 renewable energy projects, and 1 energy security project.

Energy Program/Utilities Modernization ($344 million):

Reducing consumption and increasing energy efficiency are among the most cost effective ways to improve installation energy security. The Army funds many of its energy efficiency improvements through the Energy Program/Utilities Modernization program account. Included in this total are funds for energy efficiency projects, the development and construction of renewable energy projects through the Energy Initiatives Task Force, the Army's metering program, modernization of the Army's utilities, energy security projects, and planning and studies.

Utilities Services ($1,332 million):

The Utilities Services account pays all Army utility bills including the repayment of Utilities Privatization (UP), Energy Savings Performance Contracts (ESPCs), and Utilities Energy Service Contracts (UESCs). Through the authority granted by Congress, ESPCs and UESCs allow the Army to implement energy efficiency improvements through the use of private capital, repaying the contractor for capital investments over a number of years out of the energy cost savings. The Army has the most robust ESPC program in the entire Federal Government. The ESPC program has more than 170 Task Orders at over 70 installations representing $1.16 billion in private sector investments and over 350 UESC Task Orders at 43 installations, representing $543 million in utility sector investments. We have additional ESPC projects in development, totaling over $400 million in private investment and $100 million in development for new UESCs. In fiscal year 2012, the Army executed more

ESPCs and UESCs in one fiscal year than any other year in the entire history of program ($236 million).

Installation Science and Technology Research and Development ($5.0 million):

Installation Science and Technology programs investigate and evaluate technologies and techniques to ensure sustainable, cost efficient, and effective facilities to achieve resilient and sustainable installation and base operations. Facility enhancement technologies contribute to cost reductions in the Army facility life cycle process and the supporting installation operations.

ENVIRONMENT

The Army's fiscal year 2014 O&M budget provides $788,868,000 for its Environmental Program in support of current and future readiness. This budget ensures an adequate environmental resource base to support mission requirements, while maintaining a sound environmental compliance posture. Additionally, it allows the Army to execute environmental aspects of restationing while increasing programmatic efficiencies and addressing the Army's past environmental legacy.

As a land-based force, our compliance and stewardship sustains the quality of our land and environment as an integral component of our capacity to train for combat effectively. We are committed to meeting our legal requirements to protect natural and cultural resources and maintain air and water quality during a time of unprecedented change. We are on target to meet DOD goals for cleaning up sites on our installations (90 percent of non-BRAC sites will be at response complete in fiscal year 2018 and 95 percent by fiscal year 2021), and we continue to fulfill environmental compliance requirements despite operating in a constrained resource environment.

SUSTAINMENT, RESTORATION, AND MODERNIZATION

This year's FSRM funding is $3,760,996,000. This request includes $3,082 million for Sustainment (80 percent of the OSD FSM requirement, for all Army components), $36 million for demolition, and $643 million for Restoration & Modernization. The Army views 80 percent sustainment funding as a necessary adjustment due to the economic impacts and the requirements of the fiscal year 2011 Budget Control Act. FSRM funding is an integral part of the Facility Investment Strategy (FIS) proponent of AFS 2020. The Army is taking a slight risk in the sustainment of our facility inventory valued at $312 billion. In keeping with the FIS, the Army has increased its investment in facility restoration through the O&M–R&M account. This will fully restore trainee barracks, enable progress toward energy objectives, and provide commanders with the means of restoring other critical facilities. Facilities are an outward and visible sign of the Army's commitment to providing a quality of life for our soldiers, families, and civilians that is consistent with their commitment to our Nation's security.

BASE OPERATIONS SUPPORT

The Army's fiscal year 2014 BOS request is $8,867,014,000, which is a slight decrease from the fiscal year 2013 request. The Army's fiscal year 2014 BOS strategy continues to prioritize funding for life, health, and safety programs and Army Force Generation requirements ensuring soldiers are trained and equipped to meet demands of our Nation at war. The Army remains committed to its investment in Army Family Programs and continues to evaluate its services portfolio in order to maintain relevance and effectiveness. The Army will meet the challenge of day-to-day requirements by developing efficient service delivery or adjusting service levels while managing customer expectations. These efforts will encourage program proponents to evaluate policies, seek alternatives, and find innovative solutions to meet these challenges. The Army is committed to developing a cost culture for increasing the capabilities of BOS programs through an enterprise approach. Additionally, the Army will continue to review service delivery of its soldier, family, and civilian programs to ensure the most efficient and effective means of delivery are realized.

CONCLUSION

The Army's fiscal year 2014 installations management budget request is a program that assists the Army as it transitions from combat. It provides for our soldiers, families, and civilians, while recognizing the current fiscal conditions. The Army requests the support of the committee and Congress in its effort to implement the Army Facility Strategy 2020 and facilities investment strategy. These combined efforts will set the foundation for the sustainment, restoration, and modernization

of the facilities necessary to enable the future Army of 2020, a joint force with a versatile mix of capabilities.

The planned reduction of 14 percent of the Active Army's end strength to 490,000 by the end of fiscal year 2017 will create excess U.S.-based installation infrastructure. Since 2005, as we reduced installations overseas, many units relocated back to the United States. For example, Forts Benning, Bliss, Bragg, Carson, Knox, and Riley received approximately 7 million square feet of additional infrastructure to host and support these units returning home from overseas. The additional capacity here at home was important because it helped the Army transform from a division-based force into modular Brigade Combat Teams.

With sequestration triggered, we face additional and significant reductions in the annual funding caps limiting defense budgets for the next 9 years; these reductions would cause reductions in military and civilian endstrength. A future round of BRAC is essential to identify excess Army infrastructure and prudently align civilian staffing and infrastructure with reduced force structure and reduced industrial base demand. BRAC allows for a systematic review of existing DOD installations to ensure effective Joint and multi-service component utilization. If we do not make the tough decisions necessary to identify efficiencies and eliminate unused facilities, we will divert scarce resources away from training, readiness, and family programs and the quality of our installation services will suffer. We are requesting authority from Congress to conduct a BRAC round in 2015.

In closing, I would like to thank you again for the opportunity to appear before you today and request your commitment to the Army's program and the future of our soldiers, families, and civilians.

Senator SHAHEEN. Thank you.

Mr. Natsuhara?

STATEMENT OF ROGER M. NATSUHARA, PRINCIPAL DEPUTY ASSISTANT SECRETARY OF THE NAVY, ENERGY, INSTALLATIONS, AND ENVIRONMENT

Mr. NATSUHARA. Chairman Shaheen, Ranking Member Ayotte, and members of the subcommittee, I am pleased to appear before you today to provide the overview of the Department of the Navy's investment in its shore infrastructure.

For fiscal year 2014, the Department of the Navy is requesting over $12 billion in various appropriation accounts to operate, maintain, and recapitalize our shore infrastructure. This level of funding represents continued investment to enhance combatant commanders' capabilities, improve servicemembers' quality of life, and recapitalize aging infrastructure.

The fiscal year 2014 budget also demonstrates the Department of the Navy's commitment to energy security by funding cost-effective projects that will improve our energy infrastructure and reduce our energy consumption.

Additionally, the budget request provides $185 million for MILCON and O&M projects to address critical requirements at our shipyards.

Our request includes $1.7 billion in MILCON projects supporting several key objectives of the Defense Strategic Guidance of 2012. For instance, the Navy and Marine Corps have programmed approximately $657 million to enhance warfighting capabilities in the Asia-Pacific region such as the new hangar, apron, and infrastructure at Marine Corps Base Hawaii and the Navy's wharf improvement at Naval Base Guam.

We have $200 million in projects such as the broad area of maritime surveillance hangars in California and Guam and the EA–18G Growler and P–8 Poseidon projects in Washington State that will ensure the United States remains capable of projecting power in

anti-access and area denial environments. The Navy's investments in a barracks and armory at Camp Lemonnier, Djibouti provides supporting infrastructure enabling U.S. Special Operations Forces to carry the fight forward, conducting stability and counter-insurgency operations for U.S. Central and U.S. Africa Commands.

The strength of our Navy and Marine Corps team lies not only in advanced weaponry and faster, stealthier ships and aircraft. Our naval forces also derive their strength from the sailors and marines who fire the weapons, operate and maintain the machinery, or fly the planes, and from the families and civilians supporting them. Towards this end, the Navy and Marine Corps have programmed over $224 million of MILCON funds for operational and tactical training, professional development, and academic facilities, nearly $100 million for unaccompanied housing, and $463 million to support family housing construction and operations.

Guam remains an essential part of the United States' larger Asia-Pacific strategy which includes developing the island as a strategic hub and establishing an operational Marine Corps presence. The Department of the Navy recognizes congressional concerns regarding execution of the Guam military realignment and is taking steps necessary to resolve critical issues that will allow the construction program to move forward.

Furthermore, the United States and Japan are continuously looking for more efficient and effective ways to achieve the goals of the realignment road map. Both countries remain committed to maintaining and enhancing a robust security alliance and the United States remains committed to enhancing the U.S.-Japan alliance and strengthening operational capabilities.

Our Nation's Navy and Marine Corps team operates globally, having the ability to project power, effect deterrence, and provide humanitarian aid whenever and wherever needed to protect the interests of the United States. The Department of the Navy's fiscal year 2014 request supports critical elements of the Defense Strategic Guidance by making needed investments in our infrastructure and people and preserving access to training ranges, afloat and ashore.

I look forward to working with you to sustain the warfighting readiness and quality of life for the most formidable expeditionary fighting force in the world.

Thank you for the opportunity to testify before you today, and I welcome your questions.

[The prepared statement of Mr. Natsuhara follows:]

PREPARED STATEMENT BY MR. ROGER M. NATSUHARA

Chairman Sheehan, Ranking Member Ayotte, and members of the subcommittee, I am pleased to appear before you today to provide an overview of the Department of the Navy's investment in its shore infrastructure.

MEETING THE CHALLENGE OF FISCAL UNCERTAINTY

The American public expects its military to spend wisely the resources entrusted to us. The fiscal uncertainty we now face as a nation only heightens the need to make prudent investments that ensure our Navy and Marine Corps team remains ready to respond to crises wherever and whenever they may occur. We appreciate the support of Congress in passing the Defense and the Military Construction, Veterans Affairs, and Related Agencies Appropriations Acts for Fiscal Year 2013. They provide us with the critical funding necessary to repair, maintain, and modernize

our infrastructure and support new platforms as they arrive on station. Yet, since balanced deficit reduction was not enacted, the sequestration reductions must be taken from these funds and applied in a manner that provides no flexibility.

The Department of the Navy continues to consider options that could mitigate the impact of sequestration to the extent possible. With respect to military construction (MILCON), the Department of the Navy's objective is to preserve project scope and limit any project deferrals to the greatest extent possible. The Department intends to achieve this by reprogramming existing bid savings and any that may accrue in the future. The Department of the Navy is still in the process of evaluating the precise impact of the sequester and will have more definitive information when our analysis is complete.

The effects of the fiscal year 2013 sequester will persist beyond the current year and profoundly affect the Navy and Marine Corps' ability to carry out their missions in today's threat environment using the protocols and force structure that currently exist. Moreover, the President's fiscal year 2014 budget request assumes Congress will reach a compromise on deficit reduction; otherwise, the programs and projects we present today will be subject to reductions as well.

INVESTING IN OUR INFRASTRUCTURE

Overview

Our installations provide the backbone of support for our maritime forces, enabling their forward presence. The Department of the Navy is requesting over $12 billion in various appropriations accounts, a decrease of $619 million from the President's fiscal year 2013 request, to operate, maintain and recapitalize our shore infrastructure. Figure 1 provides a comparison between the fiscal year 2013 and fiscal year 2014 budget request by appropriation.

Category	PB 2013 ($M)	PB 2014 ($M)	Delta ($M)	Delta (%)
Military Construction, Active + Reserve	1,752	1,733	-19	-1.1%
Family Housing, Construction	102	73	-29	-28.4%
Family Housing Operations	378	390	12	3.2%
			0	
BRAC	165	145	-20	-12.1%
			0	
Sustainment Restoration & Modernization (O&M)	3,025	2,829	-196	-6.5%
			0	
Base Operating Support	7,220	6,848	-372	-5.2%
			0	
Environmental Restoration, Navy	311	316	5	1.6%
TOTAL	**12,953**	**12,334**	-619	-4.8%

Figure 1: DoN Infrastructure Funding by Appropriation

Although smaller, the fiscal year 2014 request supports the Defense Strategic Guidance of 2012 and represents continued investment in enhancing combatant commanders' capabilities, improving servicemember quality of life, and recapitalizing aging infrastructure. The fiscal year 2014 budget also demonstrates the Department of the Navy's commitment to energy security by funding cost effective projects efforts that will improve our energy infrastructure and reduce our consumption.

Military Construction

Our fiscal year 2014 President's budget request of $1.7 billion keeps pace with last year's request and supports several key objectives of the Defense Strategic Guidance of 2012. For instance, the Navy and Marine Corps are investing approximately $657 million to enhance warfighting capabilities in the Asia-Pacific region

such as the new hangar, apron, and infrastructure ($132.2 million) at Marine Corps Base (MCB), HI, that will support the second squadron of MV–22 Osprey aircraft arriving in 2016; and Navy's wharf improvements ($53.4 million) at Naval Base Guam.

Additionally, the Navy is investing over $200 million in projects such as the Broad Area Maritime Surveillance hangars in California ($17.5 million) and Guam ($61.7 million) and the EA–18G Growler ($32.5 million) and P–8 Poseidon ($85.2 million) projects in Washington State that will ensure the United States remains capable of projecting power in anti-access and area denial environments. The third increment of the Explosive Handling Wharf ($24.9 million) at Naval Submarine Base Bangor, WA, supports the objective of maintaining a safe, secure, and effective nuclear deterrent. The Marine Corps is investing $84 million in a new cyber operations and headquarters facility at Fort Meade, MD, that will leverage proximity to U.S. Cyber Command and the National Security Agency to operate effectively in the cyberspace domain. Finally, the Navy's investments in a barracks and armory ($29 million) at Camp Lemonnier, Djibouti provides supporting infrastructure enabling Special Operations Forces to carry the fight forward, conducting stability and counter-insurgency operations for U.S. Central and U.S. Africa Commands.

The Department of the Navy continues efforts to reduce our energy costs. The fiscal year 2014 request includes nearly $70 million to decentralize steam plants at MCB Camp Lejeune and Marine Corps Recruit Depot San Diego, installing new gas-fired energy efficient space and domestic water-heating systems. Additionally, the Department will benefit from nearly $61 million in energy and water conservation projects funded through the Defense-Wide Energy Conservation Investment Program. These funds will enhance energy security at Camp Smith, HI ($8 million) and Marine Corps Air Station (MCAS) Miramar, CA ($18 million); increase sources of cost effective renewable energy ($1.7 million); improve water conservation efforts ($2.4 million); and increase energy efficiency in many other locations ($30.7 million). However, the almost $600 million fiscal year 2014 reduction in Sustainment, Restoration, and Modernization/Operation and Maintenance (O&M) and Base Operating Support (Figure 1 above), in addition to the sequester reductions in fiscal year 2013, will make the statutory energy intensity goals more difficult to achieve. Moreover, a reduced investment in energy projects now will result in lost opportunity for savings in the future, higher utility costs and, ultimately, reduced readiness as funds are diverted to pay these bills.

Facilities Sustainment, Restoration, and Modernization

The Department of Defense (DOD) uses a Facilities Sustainment Model to calculate life cycle facility maintenance and repair costs. Using industry-wide standard costs for various types of buildings and geographic areas, the model is updated annually. Sustainment funds in the O&M accounts are used to maintain facilities in their current condition. The funds also pay for preventative maintenance, emergency response to minor repairs, and major repairs or replacement of facility components (e.g. roofs, heating and cooling systems).

The Navy budgeted $1.5 billion (80 percent of the model) in fiscal year 2014 and continues to take risk in its shore infrastructure to increase investment in afloat readiness and capabilities. It manages this risk by prioritizing work to address mission critical facilities in poor condition and resolve life-safety issues. Projects not meeting these criteria are deferred. There are, however, exceptions to the "80 percent" rule. Maintenance dredging, flagship educational institutions, Camp David, and the Naval Observatory receive 100 percent of the funding recommended by the model. Furthermore, the Navy programmed $425.1 million to meet the 6 percent capital investment in depots required by title 10, U.S.C., section 2476.

The Marine Corps will continue to fund sustainment funding at 90 percent of the model ($691 million) in fiscal year 2014. Even this strong commitment will result in some facilities degradation. The Marine Corps will continue to prioritize and target facilities that directly affect mission operations for full sustainment.

Restoration and Modernization provides major upgrades of our facilities. In fiscal year 2014, the Department of the Navy is investing $570 million of MILCON, and $618 million of O&M funding into restoring and modernizing existing infrastructure.

INVESTING IN OUR PEOPLE

Overview

The strength of our Navy-Marine Corps team lies not in advanced weaponry or faster, stealthier ships and aircraft. Our naval forces derive their strength from the sailors and marines who fire the weapon, operate and maintain the machinery, or

fly the plane, and from the families and civilians supporting them. We continue to provide the best education, training, and training environments available so our forces can develop professionally and hone their martial skills. Providing quality of life is a determining factor to recruiting and retaining a highly professional force. To this end, we strive to give our people access to high-quality housing, whether government-owned, privatized, or in the civilian community, that is suitable, affordable, and located in a safe environment. Protecting our sailors, marines, civilian employees, and their families remains one of our highest priorities as we continue to reduce mishaps across the Department of the Navy.

Training and Education

Of the $1.7 billion request for MILCON, the Navy and Marine Corps together have programmed over $224 million in operational and technical training, professional development, and academic facilities. For example, the Navy, in order to accommodate an increased student load at Nuclear Power Training Unit in South Carolina, will expand pierside berthing for an additional moored training ship that will provide "hands on" propulsion plant training in a realistic environment ($73.9 million). The Marine Corps will consolidate its Command and Control Training and Education Center of Excellence, Civil Military Operations School, and Marine Air Ground Task Force Staff Training Program into one 69,000 square foot facility ($25.7 million). This project will allow the Marine Corps to carry out its Marine Corps University recapitalization program.

Unaccompanied Housing

In addition to expeditionary housing the Navy will build in Djibouti, the fiscal year 2014 request includes 2 projects that will provide accommodations for 1,220 transient and permanent party personnel. The first project replaces outdated and deteriorating housing for initial skills training ("A" School) students at Naval Station Great Lakes ($35.9 million). The second project, at Naval Base Ventura County, acquires and converts 300 existing leased "Section 801" family housing units and 2 supporting facilities to address pressing billeting needs ($33.6 million).

The Marine Corps is benefitting from prior investments in unaccompanied housing made in support of the Commandant's Barracks Initiative and the Grow the Force effort that increased end strength from 175,000 to 202,000 marines. Despite the projected decline in end strength, the Marine Corps is well positioned to accommodate its projected steady-state troop strength of 182,000 without excess inventory, having only programmed an amount to support 90 percent of its unaccompanied housing requirement. The results of the ongoing force structure analysis will determine whether some locations might require additional resources.

Family Housing

The Department of the Navy continues to rely on the private sector as the primary source of housing for sailors, marines, and their families. When suitable, affordable, private housing is not available in the local community, the Department of the Navy relies on government-owned, privatized, or leased housing. The fiscal year 2014 budget request of $463.3 million supports Navy and Marine Corps family housing operation, maintenance, and renovation requirements.

Both the Navy and Marine Corps have requested fiscal year 2014 funding for post-acquisition construction projects necessary to improve existing government-owned family housing in overseas locations. These include projects in Japan that will revitalize 68 homes at Commander Fleet Activities Sasebo ($21.6 million), another 50 homes at MCAS Iwakuni while metering 736 units ($24.2 million), and 59 homes at Naval Base Guam ($23.1 million).

Through the Military Housing Privatization Initiative, the Department of the Navy has virtually eliminated its entire inventory of inadequate housing. While the Navy does not privatize any additional housing in fiscal year 2014, the Marine Corps has awarded Phase 6 of its Camp Lejeune project this year, but is continuing to review the need for other previously approved projects as part of an assessment of Marine Corps-wide requirements.

Additionally, the Navy and Marine Corps estimate spending almost $75 million to lease over 2,500 housing units domestically (781) and abroad (1,763). Over the past several years, the Navy has reduced its number of foreign "high-cost" leases (based on thresholds contained in U.S.C. title 10, section 2828). This past year, the Department of the Navy instituted a policy to limit the leasing of high cost homes overseas (based on 10 U.S.C. 2828 thresholds). We will only consider such leases for designated high risk billets/high risk personnel where there are no less costly options to provide secure housing or where it can be demonstrated that such a lease is in the best interest of the Government.

Finally, the Department of the Navy programmed $287.3 million that will provide for the daily operation, maintenance, and utilities expenses necessary to manage its military family housing inventory. The budget request also includes another $27.6 million to provide oversight and portfolio management for over 63,000 privatized homes to ensure the Government's interests remain protected and quality housing continues to be provided to military families.

Safety

The fiscal uncertainty we live with today not only affects operational readiness; the impact may also manifest itself in safety performance. More than ever, we must emphasize safety and risk management, both on- and off-duty, as operational tempo increases and our sailors and marines are asked to do more with resources that are being stretched. Efforts to ensure the safest and most secure force in the Department of the Navy's history include more targeted oversight of our high risk evolutions and training, based on hazard- and leading-indicators rather than just mishap reporting. To do so requires a robust analytical capability that pulls safety and safety-related data from a variety of sources and rapidly disseminates actionable lessons learned to the Fleet and shore establishments. In fiscal year 2012, the Department of the Navy committed to developing this needed capability by establishing a secure funding stream for the Risk Management Information System. But targeted data alone is not enough. We are employing System Safety Engineers in the hazard and mishap investigation process and incorporating safety considerations in every stage of design and production, from the blueprint to rollout.

MANAGING OUR FOOTPRINT

Overview

It is a basic tenet that DOD should own or remove from public domain only the minimum amount of land necessary to meet national security objectives. Coupled with the fiscal imperative to conserve resources, especially in this era of deficit reduction, the Department of the Navy has more than enough incentive to reduce its footprint both at home and abroad.

European Consolidation

To meet these twin objectives, the Department of the Navy is ready to conduct a capacity analysis that will provide the basis for consolidating military infrastructure in Europe. It should be noted the Navy has a limited footprint in the European theater, relocating its European headquarters from London to Naples in 2005, closing Naval Air Station (NAS) Keflavik in 2007, and closing Naval Support Activities Gaeta and La Maddalena in 2006 and 2008, respectively. We are undertaking preliminary capacity assessments of our remaining bases at Naval Station Rota, NAS Sigonella, and the Naval Support Activities in Naples and Souda Bay that will inform a Defense-wide path forward. Our assessment will also include, in partnership with NATO and Norway, a review of the Marine Corps' prepositioning site in central Norway.

Base Closure and Realignment

With respect to consolidating our domestic infrastructure, the Base Realignment and Closure (BRAC) process offers the best opportunity to assess and evaluate opportunities to properly align our domestic infrastructure with our evolving force structure and laydown. Since the first round of BRAC in 1988, the Department of the Navy has closed 186 domestic installations and activities, including 52 major installations. Figure 2 demonstrates the evolution of the Department of the Navy's force structure since 2005:

Year	Service	Battle Force Ships	Primary Authorized Aircraft-Active	Personnel-Active	Installations
PB 2005	Navy	290	1402	365900	94
	USMC		995	175000	26
Total			**2397**	**540900**	**120**
PB 2013	Navy	284	2012	322700	83
	USMC		1041	197300	25
Total			**3053**	**520000**	**108**

Figure 2: Force Structure vs. Number of Installations

The Department of the Navy has programmed $145 million to continue environmental cleanup, caretaker operations, and meet the property disposal plan. By the end of fiscal year 2012, we disposed 91 percent of our excess property through a variety of conveyance mechanisms with less than 17,000 acres remaining. Here are several examples of what we were able to achieve in the past year.

Since the former NAS Brunswick in Maine closed in 2011, the Navy has disposed of 79 percent of the surplus property. The community is experiencing success in creating short-term and long-term jobs as it continues to implement its redevelopment plan for the property.

In fiscal year 2012, the Navy completed the last disposal action at the former Naval Station Ingleside, TX, with the public sale of 155 acres on October 7, 2011 to Kiewitt Offshore Services, LTD for approximately $2 million.

Finally, at the end of 2012, the Navy and South Shore Tri-Town Development Council reached agreement on an economic development conveyance amendment that resulted in the disposal of 556 acres of the former NAS South Weymouth in Massachusetts. This agreement brought the total percentage disposed at South Weymouth to 93 percent, with less than 150 acres pending disposal upon completion of environmental remediation actions.

Overall, the Navy continues to reduce its inventory of properties closed under BRAC. Of the original 131 installations with excess property, the Navy only has 23 installations remaining with property to dispose. We anticipate reducing this number by six installations this year, with the remainder to be disposed as we complete our environmental remediation efforts.

Under the previous BRAC efforts, the Navy has been able to realize approximately $4.4 billion in annual recurring savings. BRAC 2005 alone resulted in approximately $863 million in annual recurring savings. Although there remain cleanup and disposal challenges from prior BRAC rounds, we continue to work with regulators and communities to tackle complex environmental issues, such as low-level radiological contamination, and provide creative solutions to support redevelopment priorities, such as Economic Development Conveyances with revenue sharing.

Compatible Land Use

The Department of the Navy has an aggressive program to promote compatible use of land adjacent to our installations and ranges, with particular focus on limiting incompatible activities that affect the Navy and Marine Corps' ability to operate and train, and protecting important natural habitats and species. A key element of the program is Encroachment Partnering (EP), which involves cost-sharing partnerships with States, local governments, and conservation organizations to acquire interests in real property adjacent and proximate to our installations and ranges.

DOD provides funds through the Readiness and Environmental Protection Initiative that are used in conjunction with Navy and Marine Corps O&M funds to leverage acquisitions in partnership with States, local governments, and nongovernmental organizations. Figure 3 represents the activity and funding for restrictive easements the Department of the Navy acquired in fiscal year 2012:

	Expenditures in FY 2012 using Multiple FY funding ($000)					Total Expenditures from FY 2005 to present ($000)				
	FY 2012 Acres	DoD REPI (O&M)	Service (O&M)	Partner funds	Total Funds	Total Acres	DoD REPI (O&M)	Service (O&M)	Partner funds	Total Funds
Navy	5,197	14,369	682	15,580	30,632	16,468	41,840	5,699	53,421	100,960
Marine Corps	2,200	4,974	2,682	8,755	16,411	44,094	45,538	17,698	70,272	133,509
Totals	7,398	19,343	3,365	24,335	47,043	60,562	87,378	23,397	123,693	234,469

Figure 3: Restrictive Easements Acquired through Encroachment Partnering in FY 2012

Vital to the readiness of our naval forces is unencumbered access to critical land, water, and air space adjacent to our facilities and ranges. The Department of the Navy understands that energy exploration, on land and off-shore, plays a crucial role in our Nation's security and are activities not necessarily mutually exclusive with military training. However, we must ensure that obstructions to freedom of maneuver or restrictions to tactical action in critical range space do not degrade the ability of naval forces to achieve the highest value from training and testing. As an active participant in the DOD Clearinghouse, the Department of the Navy assisted in the evaluation of 1,769 proposed energy projects submitted through the formal Federal Aviation Administration's Obstacle Evaluation process during calendar year 2012. Ninety-eight percent (1,730) of the projects were assessed to have little or no impact on military operations.

The 1,730 projects cleared by the Clearinghouse represent potentially 38 gigawatts (GW) of renewable energy projects. The wind-turbine developers, in particular, were responsible for a large increase in U.S. green energy during 2012—over 13 GW of nameplate wind-turbine capacity were completed in 2012.

Land Withdrawals

A number of Department of Navy installations are located wholly or partially on public lands that have been withdrawn from the public domain. Withdrawals exceeding 5,000 acres must be authorized in statute. As part of the National Defense Authorization Act (NDAA) for Fiscal Year 2014, the administration requests to renew the withdrawals for Naval Air Weapons Station, China Lake, CA, and the Chocolate Mountains Air Gunnery Range, CA, managed by the U.S. Marine Corps. The Marine Corps also seeks to withdraw an additional 154,000 acres at its Air Ground Combat Center, Twentynine Palms, CA, to support increased training requirements. These three withdrawal actions have been combined into a single legislative proposal with the Army's request to convert its use of public lands at the Limestone Hills Training Area, MT. Each of these withdrawal actions would extend for a period of 25 years.

PROTECTING OUR ENVIRONMENT

Overview

The Department of the Navy is committed to environmental compliance, stewardship, and responsible fiscal management that support mission readiness and sustainability, investing over $1 billion across all appropriations to achieve our statutory and stewardship goals. This level of funding remains relatively stable over the past few years, even while other investments have been reduced. Figure 4 provides a comparison between the fiscal year 2013 and fiscal year 2014 budget request by appropriation.

Category	FY 2013 ($M)	PB 2014 ($M)	Delta ($M)	Delta (%)
Conservation	70	85	16	22.7%
Pollution Prevention	23	24	2	7.6%
Compliance	521	520	-1	-0.1%
Technology	42	39	-3	-7.6%
Active Base Cleanup (ER,N)	311	316	5	1.6%
BRAC Environmental	143	130	-13	-8.8%
TOTAL	**1,108**	**1,115**	7	0.6%

Figure 4: DoN Environmental Funding by Appropriation

The Department of the Navy continues to be a Federal leader in environmental management by focusing our resources on achieving specific environmental goals and proactively managing emerging environmental issues, integrating sound environmental policies and lifecycle cost considerations into weapon systems acquisition to achieve cleaner, safer, more energy-efficient and affordable warfighting capabilities.

Conservation

I want to highlight an achievement demonstrating the Department of the Navy's ability to manage our training lands simultaneously for the benefit of endangered species and military operations. Our conservation efforts have led to the proposed delisting of the Island Night Lizard by the U.S. Fish & Wildlife Service from the Federal list of threatened and endangered species. The Island Night Lizard is found only on three of the California Channel Islands, which include the Navy's San Nicolas Island and San Clemente Island. The Navy's recovery efforts and environmental stewardship of San Nicolas and San Clemente Island over the past 3 decades made this national achievement possible. This delisting also reduces the regulatory encumbrances the Navy experiences at San Clemente Island—the Navy's premier land, air, and sea combination live fire range. Developing and implementing conservation programs such as this enables the Department of the Navy to maintain combat readiness by ensuring continued access to the land, sea, and airspace necessary to test, train, and live on with as few environmental constraints as possible.

RELOCATING MARINES TO GUAM

Overview

Guam remains an essential part of the United States' larger Asia-Pacific strategy, which includes developing the island as a strategic hub and establishing an operational Marine Corps presence. DOD recognizes Congress' concerns regarding execution of the Guam military realignment as outlined in the NDAA for Fiscal Years 2012 and 2013 and is taking steps necessary to resolve critical issues that will allow the construction program to move forward.

Moving Forward

In April 2012, the U.S.-Japan Security Consultative Committee (SCC) announced an adjustment to reduce the number of marines relocating from Okinawa to Guam from approximately 8,600 to approximately 5,000. In October 2012, the Department of the Navy issued a new Notice of Intent expanding the scope of the Supplemental Environmental Impact Statement (SEIS) for the Live Fire Training Complex to also evaluate alternatives for the Main Cantonment, Family Housing, and impacts on Guam's civilian infrastructure, scaled according to this reduction in relocating marines.

The first MILCON contracts funded by both the U.S. and Government of Japan at Apra Harbor, Andersen Air Force Base (AFB) and along Marine Corps Drive (Defense Access Roads) were awarded following the Record of Decision in September 2010 and are now proceeding. These projects are not impacted by the SEIS.

The fiscal year 2013 budget request included $26 million to construct facilities in support of the Marine Aviation Combat Element at the Andersen AFB North Ramp

on Guam. We appreciate the support of Congress in authorizing and appropriating funds that enables the second increment of a project providing an aircraft parking apron, taxiways, lighting, wash racks, and supporting utilities to proceed.

The fiscal year 2014 budget request includes $85.7 million for construction of a Type II Hangar at the Anderson AFB North Ramp. To match the U.S. effort in fiscal year 2013, the Government of Japan has agreed to reallocate $10.8 million to fund planning and design for the second increment of North Ramp utilities and site improvement using their Japan fiscal year 2009 funds already transferred to the United States and for fiscal year 2014, transferring $114.3 million of Japan fiscal year 2011 funds for the construction of this project. None of these projects are impacted by the SEIS.

Finally, the United States and Japan are continuously looking for more efficient and effective ways to achieve the goals of the Realignment Roadmap. Both countries remain committed to maintaining and enhancing a robust security alliance, and the United States remains committed to enhancing the U.S.-Japan Alliance and strengthening operational capabilities.

CONCLUSION

Our Nation's Navy-Marine Corps team operates globally, having the ability to project power, effect deterrence, and provide humanitarian aid whenever and wherever needed to protect the interests of the United States. The Department of the Navy's fiscal year 2014 request supports critical elements of the Defense Strategic Guidance 2012 by making needed investments in our infrastructure and people, reducing our worldwide footprint, and preserving access to training ranges, afloat and ashore.

Yet, unless Congress acts to enact a comprehensive and measured approach to deficit reduction, our programs will be subject to reductions in planned spending even larger than the ones we are grappling with today. I look forward to working with you to sustain the warfighting readiness and quality of life for the most formidable expeditionary fighting force in the world.

Thank you for the opportunity to testify before you today and I welcome your questions.

Senator SHAHEEN. Thank you.

Ms. Ferguson.

STATEMENT OF KATHLEEN I. FERGUSON, ACTING ASSISTANT SECRETARY OF THE AIR FORCE, INSTALLATIONS, ENVIRONMENT, AND LOGISTICS

Ms. FERGUSON. Chairman Shaheen, Ranking Member Ayotte, and distinguished members of the subcommittee, thank you for the opportunity to speak to you today about the Air Force's installations, MILCON, and environmental programs. I am also proud to be part of Team New Hampshire, having graduated both from Nashua High School and the University of New Hampshire.

On behalf of the Secretary and the Chief of Staff of the Air Force, I would like to thank the committee for your unwavering support for our airmen in the Air Force.

Our fiscal year 2014 budget request contains $1.3 billion for MILCON, $2.2 billion for facilities sustainment, $813 million for restoration and modernization, and $465 million for military family housing.

In fiscal year 2013, we took a deliberate pause in MILCON to ensure we were making the right capital investment decisions as force structure adjustments were being made in line with the emerging defense strategy.

Our fiscal year 2014 MILCON request is approximately $900 million above our fiscal year 2013 request and returns us to near historical funding levels, supports DOD's strategic priorities, our top weapons systems modernization programs, and distributes

MILCON funding equitably between Active, Guard, and Reserve components.

This budget request reflects our ongoing modernization effort. This includes critical infrastructure for the F–35 and KC–46A, recapitalization of the U.S. Strategic Command headquarters, and construction of the new Cyber Command Joint Operations Center.

Included in this budget request is $265 million at unspecified locations to support the KC–46 bed-down. We will submit site-specific MILCON project document forms in May 2013 after preferred and reasonable alternative bases are announced and will request the committee's support of the substitution.

The Air Force strongly supports DOD's request for another round of BRAC in 2015. While we have no current capacity analysis from which to draw, our capacity analysis from 2004 suggested that 24 percent of our basing infrastructure was excess to needs. BRAC 2005 did not result in major reductions to the Air Force, and since that time, we have reduced our force structure by more than 500 aircraft and nearly 8 percent of active duty military end strength. We continue to spend money maintaining excess infrastructure that would be better spent on recapitalization and sustainment. Divestiture of excess property on a grander scale is a must.

We are also working hard to identify innovative ways to reduce costs. Installation community partnerships are one approach to reducing operating and service costs while enhancing and retaining quality.

The Air Force is currently prototyping a variety of projects in States including Texas, Florida, Georgia, California, and North Carolina. In total we have 15 locations where installation and community leaders have fully embraced the Air Force community partnership concept and are coming together to collectively reduce costs.

During this period of fiscal uncertainty, the Air Force is ready to make the tough decisions required to avoid mission-impacting reductions and installation support that contribute to a hollow force. Our fiscal year 2014 budget request addresses our most pressing needs, seeks authorization to eliminate unnecessary infrastructure, and stays true to the fundamental priorities of our Air Force.

Thank you and I look forward to your questions.

[The prepared statement of Ms. Ferguson follows:]

PREPARED STATEMENT BY MS. KATHLEEN I. FERGUSON

INTRODUCTION

As you are aware, the U.S. Air Force takes great care to project the distinctive capabilities of airpower. From air and space superiority—enabling joint and coalition forces to operate unhindered in the air domain while denying our adversaries the same—to global strike—holding any target on the planet at risk with either conventional or nuclear forces—to rapid global mobility, global intelligence, surveillance, and reconnaissance, and the command and control architecture to integrate full-spectrum joint military operations, the Nation expects our Air Force to provide and employ these enduring contributions from a position of continuing advantage over potential adversaries.

Those contributions are enabled and reinforced by our global network of Air Force installations, and managing those installations involves understanding and balancing mission requirements, risk, market dynamics, budgets, and the condition of our assets. Within the portfolio of installations, environment, and energy, we continually evaluate how to reduce costs while improving the way we manage our real estate, housing, and energy demand. We focus our investments on critical facilities;

reduce our footprint by demolishing old, energy inefficient buildings; upgrade heating and cooling systems and other energy-intense building systems; leverage third-party financing through public-public and public-private partnerships and the lease of under-utilized portions of the portfolio, where those opportunities exist; and continue to build on our excellence in environment, safety, and occupational health programs.

However, today's fiscal climate challenges our ability to maintain our current suite of capabilities and jeopardizes our ability to fulfill our role in executing the Nation's Defense Strategic Guidance. With this fiscal year 2014 budget request, we took great care to align our limited resources with our overall objectives to maintain a high quality and ready force by investing in readiness, modernization, and airmen and their families. Proud of our success but realizing the fiscal challenges that lie ahead, we will continue to work hard to identify opportunities and initiatives with high rates of return that will maximize the impact of every dollar. We are committed to charting a path through these challenging times that fulfills the promises made to the American people, our Nation's leaders, and our innovative airmen and their families. I appreciate the opportunity to provide additional details in this testimony.

INSTALLATIONS

Ready installations are an integral part of ensuring a ready Air Force. We consider our installations "power projection platforms" from which we employ our enduring airpower contributions, increase responsiveness, and ensure global access across the full spectrum of military operations. As such, the health of our installations directly contributes to overall Air Force readiness. Our Air Force installation investment strategy for fiscal year 2014 focuses on the Air Force's enduring contributions and on building sustainable installations to enable the Defense Strategy. We will employ a Centralized Asset Management approach to apply our limited installation dollars to our most critical needs. Using a "mission-critical, worst-first" methodology, we will minimize risk to mission and risk to airmen, and continue to optimize our processes to increase efficiency. Additionally, we must address the excess capacity we have identified previously to "right-size" our installations footprint to a smaller, but more flexible and agile, Air Force of the future. Continuing to live with more capacity than we need and have resources to sustain is akin to a "hollow force," or in this case, "hollow installations."

Given our strategic intent to build sustainable installations, we established a coherent link between our major installation programs during this year's budget formulation. After researching existing academic studies and analyzing private sector data, we determined we should resource maintenance and repair of our infrastructure programs at 2 percent of our Plant Replacement Value. As a result, we are funding Facilities Sustainment to 80 percent of the Department of Defense's (DOD) Facilities Sustainment Model, increasing Restoration and Modernization investments, and increasing military construction (MILCON) funding to near historic levels after our fiscal year 2013 deliberate pause. In addition, we adjusted the utilities portion of our Facilities Operations account to meet 3-year historical obligation levels and fully resourced Fire and Emergency Services to meet DOD standards. Taken together, these investments avoid hollowing out our installations—our power projection platforms—in the near term.

In total, our fiscal year 2014 President's budget request contains $4.31 billion for MILCON, facility sustainment, restoration, and modernization (FSRM), as well as another $465 million for military family housing. For sustainment, we request $2.2 billion; for restoration and modernization, $813 million; and for MILCON, we request $1.3[1] billion, which is approximately $900 million more than our fiscal year 2013 President's budget request. As previously stated, this MILCON increase comes just 1 year after our deliberate pause. This is intended to bring our MILCON funding closer to historical levels, supporting DOD's strategic priorities, as well as the Service's top weapons system modernization programs, and distributes MILCON funding equitably between Active, Guard, and Reserve components.

Readiness

Our fiscal year 2014 President's budget request includes vital facility and infrastructure requirements in support of Air Force readiness and mission preparedness. Examples of this include investments in projects which strengthen our nuclear deterrence posture at Minot Air Force Base (AFB), ND; and Kirtland AFB, NM. Our budget request also supports Total Force cyberspace and intelligence, surveillance,

[1] $1.3 billion is total force funding request including Active, Guard, and Reserve

and reconnaissance projects at a host of locations, including Martin State and Fort Meade, MD; Terre Haute, IN; Birmingham, AL; and the Air Force Weapons School at Nellis AFB, NV.

Consistent with National Military Strategy, another key focus area for the Air Force is the Asia-Pacific theater, where we will make key investments to ensure our ability to project power in areas in which our access and freedom to operate are challenged, and continue efforts to enhance resiliency. Guam remains our most vital and diplomatically accessible location in the western Pacific. For the past 8 years, Joint Region Marianas-Andersen AFB has accommodated a continual presence of our Nation's premier air assets, and will continue to serve as the strategic and operational nucleus for military operations, originating from, or transiting through, in support of a potential spectrum of crises.

To fully support Pacific Command's strategy, the Air Force is committed to hardening critical infrastructure, including select hangars, as part of Pacific Airpower Resiliency, a comprehensive initiative that also includes dispersal and rapid recovery capabilities after attack. Guam's location also provides ideal environments for training and exercises. In 2014, we plan to continue the development of the Pacific Regional Training Center by constructing a Silver Flag Fire Rescue and Emergency Management training facility and a Rapid Engineer Deployable Heavy Operational Repair Squadron Engineers (Red Horse) Airfield Operations facility. These facilities will enable mandatory contingency training and enhance the operational capability to build, maintain, operate, and recover a 'bare base' at forward-deployed locations, and foster opportunities for partnership building in this vitally important area of the world.

Modernization

The fiscal year 2014 budget request includes key infrastructure investments to support bed-down of the F–35A and KC–46. Our ability to remain on schedule with modernizing our aging fighter and tanker aircraft depend on meeting construction timelines for critical enabling infrastructure—facilities such as aircraft maintenance hangars, training and operations facilities, and apron and fuels infrastructure. This year's President's budget request includes a $265 million at three locations to support the KC–46A bed-down. This consists of $193 million at an unspecified location for Main Operating Base (MOB) #1, $63 million at an unspecified location for the Flight Training Unit (FTU), and $9 million for land acquisition at Tinker AFB, OK, for the KC–46A depot. Potential facility types at MOB #1 and FTU include a flight simulator facility, 2-bay maintenance hangar, fuel cell and corrosion control hangar, parking apron and hydrant fuel system, flight training center, fuselage trainer, squadron operations and aircraft maintenance unit facilities. Specific site fiscal year 2014 Military Construction Project Data forms (DD Forms 1391) will be submitted to replace the unspecified MOB #1 and FTU projects in May 2013 after Preferred & Reasonable Alternative bases are announced. Our fiscal year 2014 program also supports vital combatant commander priorities, such as continuation of the multi-year effort to recapitalize the U.S. Strategic Command headquarters facility at Offutt AFB, NE, and construction of the new Cyber Command Joint Operations Center at Fort Meade, MD.

People

Airmen are the Air Force's greatest asset. Recruitment, quality-of-life, and retention rank among our highest priorities. Our devotion to taking care of our people continues with future plans to provide adequate housing for our airmen, and their families by budgeting to sustain and modernize overseas housing, privatize all housing in the United States by the end of 2013, and continue investments and improvements in our dormitories. We are proud to say that our persistent focus and investments in our dormitories has allowed the Air Force to surpass the DOD goal that 90 percent of permanent party dorm rooms for unaccompanied airmen are adequate by 2017. We request continued support from Congress to ensure we can continue to invest in these areas in order to provide thriving housing and dormitory communities, and more importantly, take care of our valued people.

Closures and Realignments

We do all of this while recognizing that we are carrying infrastructure that is excess to our needs. While we have no recent excess infrastructure capacity analysis from which to draw, our capacity analysis from 2004 suggested that 24 percent of Air Force basing infrastructure capacity was excess to our mission needs. While Base Realignment and Closure (BRAC) 2005 did not make major reductions to the Air Force, since that time we have reduced our force structure by more than 500 aircraft and reduced our active duty military end strength by nearly 8 percent. So, intuitively we know that we still have excess infrastructure, while we spend consid-

erable time optimizing the use of our facilities and carefully and frugally managing those facilities we know to be excess.

Physical infrastructure is expensive. As discussed, the Air Force spends billions of dollars each year operating, sustaining, recapitalizing, and modernizing our physical plant. When we account for the additional costs of running our installations, that number nearly doubles. Since the last BRAC round, we have strived to identify new opportunities and initiatives that enable us to maximize the impact of every dollar we spend. Our efforts to demolish excess infrastructure, recapitalize our family housing through privatization, unlock the fiscal potential value of under-utilized resources through leasing, and reduce our energy costs have paid considerable dividends.

Since 2006, we have demolished 38.5 million square feet of aging building space that was excess to our needs. We estimate the resultant savings to be more than $300 million. To be more specific, we have demolished antiquated administrative facilities, ill-suited for today's technological age and excess to our needs. We have eliminated aircraft operational and maintenance facilities that we no longer need based on reductions to the size of our aircraft fleet. We have demolished old and energy-inefficient warehouse facilities no longer needed due to rapidly evolving supply chains that reduce the need for localized storage.

Like our sister Services, the Air Force is committed to providing quality housing for airmen and their families. Through housing privatization, the Air Force has invested $500 million and, in turn, leveraged $7.5 billion in private-sector funding to provide quality homes for airmen much more quickly than we could have done with traditional MILCON processes. In a similar vein, we have continually sought to improve the stewardship of our real property by leveraging appropriated dollars for private-sector investment. With the authorities provided to execute enhanced-use leases, we are pursuing innovative ways to leverage our underutilized real estate to return value to our installations. As a result of our energy conservation efforts, we have cumulatively avoided more than $1 billion in facility energy costs since 2003, the funds for which have been redirected to better enable warfighters to complete their missions. We will continue to invest in all of these strategies.

Despite our best efforts and the innovative programs we've just mentioned, we continue to spend money maintaining excess infrastructure that would be better spent recapitalizing and sustaining our weapons systems, training for readiness, and investing in the quality of life needs of airmen. Divestiture of excess property on a grander scale is a must.

European Infrastructure Consolidation

Since 1990, the Air Force has reduced both aircraft and forces stationed in Europe by 75 percent. We operate from six main operating bases that remain critical to our NATO commitments and provide throughput and global access for three unified combatant commands. We recognize that in light of recent evolutions in the national security strategy, there may be further opportunities for consolidation. The Secretary of Defense has directed a capacity analysis to explore additional opportunities for reducing long-term expenses through footprint consolidation in Europe, and the Air Force fully supports this effort. We already plan to draw down 18 Primary Aerospace Vehicle Authorized (PAA) A–10s in Europe in fiscal year 2013 and to reduce operations at Lajes Field, Azores, to better match infrastructure requirements to mission demand. Through the Office of Secretary of Defense-led study, we will look for additional opportunities for operations and support cost savings through consolidation and closure.

Air Force Encroachment Management Program

The Air Force needs access to airspace and ranges from its air bases to ensure its ability to conduct test and evaluation and operational and training missions. In some cases communities are unaware that economic or land-use initiatives they are pursuing—such as development right up to the base boundary or under airspace safety zones—have the potential to limit our options for current and future mission needs.

As a result, we have instituted an Air Force Encroachment Management framework to identify and address potential encroachment issues early on. We attempt to identify, address, and actively work with community planners and conservation groups to develop compatible uses through joint land use and airspace studies that preserve Air Force options and those of the surrounding communities.

To date the Air Force has worked with 32 community stakeholders in creating Installation Complex Encroachment Management Action Plans (ICEMAPS) as a means to identify current or potential encroachment issues and the actions necessary to resolve these issues to our mutual benefit. These action plans have proved

so successful that the Office of Economic Adjustment indicated they would prefer to accomplish a Joint Land Use Study after an ICEMAP has been completed because it identifies stakeholders and an installation's mission footprint (land area beyond the base boundary like military training routes, special use airspace, or drop zones) that has proven key to identifying compatible development strategies. This may include adoption of land use controls in accident potential zones or clear zones, acquisition of easements or key parcels of land affecting access to our airspace and ranges—this includes leveraging the DOD-directed Readiness Environmental Protection Initiative; addressing line of sight obstructions to critical microwave wireless communication and potential mitigations; working comprehensive solutions with community stakeholders like the Gulf Regional Airspace Strategic Initiative initiative with communities around Eglin AFB or addressing better use of water resources in areas facing shortages now or in the future.

We are also working with DOD on analyzing the effects of siting the varying types of renewable energy projects and how best to work with developers and communities to minimize or mitigate potential impacts to our Air Force training and test and evaluation missions. Together, with the DOD Siting Clearinghouse and other Services and Agencies, we have cleared more than 1,500 projects for further development. We now have several initiatives underway that should help developers and local communities understand those areas near DOD installations with a high risk of adverse impact and those more suitable for the development of renewable energy or other economic initiatives.

Air Force Community Partnership Initiative

The Air Force is enthusiastically exploring the potential of installation-community partnerships as a means to reduce operating and service costs in support of the Air Force mission while retaining or enhancing quality. This concept is embodied in the National Defense Authorization Act for Fiscal Year 2013 language 10 U.S.C. section 2336, and this legislation has the potential to increase DOD and the Service Departments' latitude in pursuing creative public-public and public-private, or "P4", partnership initiatives.

Currently, the Air Force is testing a prototype process through which installation and community leaders are motivated to develop creative ways to leverage their capabilities and resources and in the process, reduce mutual operating costs. Through this innovative start-up program, we have agreed to provide support to 13 locations where installation and community leaders have fully embraced the Air Force Community Partnership concept. We are using these prototype initiatives to drive the development of policy, identification of an oversight framework/governance structure and training requirements, types of potential opportunities and requisite resource requirements and priorities.

ENVIRONMENTAL

Our environmental programs are designed to provide the mission-ready people, infrastructure, and natural resources necessary to meet mission requirements, today and tomorrow. The Air Force is committed to conducting our operations in an environmentally responsible way; meeting all environmental standards and legal obligations applicable to these operations; planning future activities to consider environmental and community impacts, and minimize them where practicable; eliminating pollution from activities wherever and whenever we can; cleaning up environmental damage resulting from past activities; and responsibly managing our irreplaceable natural and cultural resources in a sustainable manner. To address these commitments, the Air Force's fiscal year 2014 President's budget request seeks a total of $1 billion for environmental programs.

Environmental Restoration

Our fiscal year 2014 President's budget request seeks $560 million for cleanup of active installations and BRAC installations. We established our cleanup program in 1984 to clean-up former hazardous waste disposal sites on active and BRAC installations. Our past focus was on completing investigations and getting remedial actions in place—many of which were designed to operate for decades. In early 2011, we put into place a new policy and new metrics—a policy that shifts the goal from remedy-in-place to closing sites, from one that tolerated decades to complete the clean-up to one that rewards innovative technologies; from one that was cost-plus to one that is fixed price and performance based and incentivizes contractors to develop innovative ways to get to site closure; and to one that considers the total life cycle cost informed by a solid business case analysis.

Our new goals are to achieve accelerated completion of 90 percent of Air Force BRAC cleanup sites and 75 percent of non-BRAC sites by 2015, in order to place

the emphasis on bringing the program to closure. Through the use of improved performance-based contracting, coupled with this new policy, after 2-plus years of focused effort we have put in-place almost 80 new performance-based contracts, and we are cleaning up sites three times faster, with life-cycle cost savings at these sites as much as 33 percent over original government estimates—and it is our expectation this will go even higher as we continue to mature this contracting approach. By using this approach, we are not only closing sites faster, we are also reducing land access restrictions where possible, while still being fully protective of human health and environment.

We continue to work with State and Federal regulators on socializing this new approach. We continue to receive positive feedback from many of the regulators on the overarching goal to finish clean-up more expediently and more efficiently.

Environmental Quality

Our fiscal year 2014 President's budget request seeks $487 million in Environmental Quality funding for compliance, environmental conservation, pollution prevention, and environmental technology investment. As in our clean-up program, we have refocused our efforts to streamline and more effectively manage our environmental quality program activities. One example we introduced to you last year is how we are continuing to improve our approach for our National Environmental Policy Act (NEPA) program. Every decision we make is backed by environmental analyses, with major efforts and costs going into the development of Environmental Impact Statements (EIS) and Environmental Assessments (EA).

As we looked at how to become more efficient in all our functional areas, we found that over time our NEPA process had become stagnant and bureaucratic. We had migrated away from the Council on Environmental Quality guidance that emphasizes clear, concise, and analytical analyses rather than encyclopedic documents. On average, EISs were taking 3½ years to complete and EAs half that time. Our decisionmaking process was being crippled by such tasks as elaborate internal reviews and steps that added very little value to the quality of the analysis.

Last year, we informed you we had issued policy to refocus our NEPA process. The policy emphasizes use of performance-based contracts to incentivize contractors to provide quality environmental analyses that are fully-compliant with NEPA, that are aimed at better decisionmaking. Likewise, to refocus our internal reviews, the policy set goals for completion of EISs in 12 months and EAs in 6 months. To execute the new policy the Air Force established a NEPA center of excellence to standardize the Air Force approach to NEPA management and contracting and to provide reach back to major commands and installation NEPA professionals. Currently, we have approximately 400 EAs and EISs underway, with some being performed in-house, and most being supported by contract. Our focus this year is to streamline our execution processes for all NEPA actions to align them with our new standardized processes and performance-based contracts, to ensure we get timely decisions in a cost-effective manner. Results from these changes continue to be very promising; our contract actions have been reducing NEPA analysis time requirements and costs, and we're doing this without sacrificing quality.

We continue to look at ways to improve how the Air Force manages waste. Pollution prevention and waste minimization provide great potential to realize efficiencies while at the same time sustaining the Air Force mission, maintaining a safe and healthy workplace for our people, and improving the environment in which we live. Last April, we established stronger pollution prevention and waste minimization goals that apply Air Force wide. Our new pollution prevention goals seek to reduce our hazardous waste disposal by 20 percent, reduce our toxic releases by 35 percent, and divert 65 percent of our non-hazardous solid waste by reduction, recycling, reuse or composting, rather than landfilling; all by 2020. We will use our environmental management system to achieve these goals; and we fully expect to see our operations become more efficient, more protective of the workforce, while realizing cost savings. We are also striving to change how our culture considers waste and the environment. The Air Force believes that 'green' is a smart way to do business. Simply put: green is money; green is innovation; green is safety; and green is good stewardship.

We will continue to improve our environmental programs while complying with legal requirements, reducing unacceptable risk to operations from energy-related considerations and environmental impacts, by continuously improving energy and environmental management practices to be more effective and efficient, and to ensure sustainable management of the resources we need to adequately fly, fight, and win into the future. There is no question that responsible and prudent stewardship of the natural and other resources with which we are entrusted is of great importance to national and economic security.

Working together with regulatory agencies, other Federal partners, and industry experts, the Air Force is continuously innovating and adopting best practices to lessen the environmental impact of its operations while helping the Air Force maintain its mission-ready posture and capabilities.

CONCLUSION

During this period of fiscal uncertainty, the Air Force is ready to make the tough decisions required to avoid mission-impacting reductions in installation support that contribute to a hollow force. We recognize it will take strong leadership to ensure a fully trained and ready force, along with the facilities and support to maintain the range of capabilities required to engage a full range of contingencies and threats, at home and abroad.

Our fiscal year 2014 budget request addresses our most pressing needs, and it stays true to the five fundamental priorities of our Air Force. We continue to mature our use of centralized asset management principles to mitigate the risk that we accept by deferring recapitalization of current mission facilities. We remain committed to caring for our airmen and their families as we strive to eliminate inadequate housing by 2018, and to complete our privatized housing initiative in the United States by 2013.

While we strive toward remaining ready, capable, and viable for the numerous security challenges ahead, we must be clear—the Air Force's fiscal year 2014 budget request represents continued risk in our installations programs. We have made hard strategic choices during formulation of this budget request. We needed to slow the erosion in full-spectrum readiness as a result of over 20 years of combat in the Middle East. We needed to sustain our legacy fleet to remain capable of delivering the combat effects our combatant commanders require in the near-term fight. We needed to continue modernizing our aging fleet of fighters, bombers, and refuelers that allow us to remain viable over the long term, particularly in the high-end anti-access/area denial environment we expect to fight in the far term. That required us to take continued risk in areas we would choose not to take risk in, such as our installations. We believe this risk is prudent and manageable in the short-term, but we must continue the dialogue on right-sizing our installations footprint for a smaller, but more capable force that sets the proper course for enabling the Defense Strategy while addressing our most pressing national security issue—our fiscal environment.

Finally, we continue to carefully scrutinize every dollar that we spend. Our commitment to continued efficiencies, a properly sized force structure, and right-sized installations will enable us to ensure maximum returns on the Nation's investment in her airmen, who provide our trademark, highly valued airpower capabilities for the joint team.

Senator SHAHEEN. Thank you all very much for your testimony.

I want to start with BRAC, which probably does not surprise any of you, but I want to talk about it in the context of what is happening overseas. I addressed in my opening remarks, as did Senator Ayotte, our concerns about the costs of the last round, and I think last year DOD heard very clearly from the Armed Services Committee the concerns that we had about a future round and about looking at our excess capacity overseas and seeing what savings could be accomplished there.

So I understand that last May DOD announced the U.S. presence in Europe will be reduced by approximately 15 percent over the next 10 years, and I understand that the Secretary of Defense has initiated a study looking at consolidating infrastructure in Europe.

So, Mr. Conger, what is the current status of the closure and consolidation of U.S. facilities in Europe?

Mr. CONGER. There are two parts to that answer.

First, we have been reducing our force structure in Europe for quite some time and we have been reducing our facilities in Europe for that same amount of time. There is a lot that has been done already.

That said, we listened very closely to what Congress said last year when they said close bases overseas first before you start talking about BRAC rounds. In response, we have kicked off—the Secretary kicked off in January a BRAC-like process for looking at bases in Europe. Given the reduced force presence that we are going to have there, we had plans in place to reduce the number of bases we have there. But what we are looking at here is not just sort of a one-for type of thing where, here is a brigade leaving, therefore, this base is closing. We are doing a thorough scrub and we are doing it using joint principles. We are going to look for ways to leverage the various Services together in order to maximize the amount of consolidation. Frankly, while military value always takes precedence, we are looking to save money and we are looking to get rid of this excess.

So we have started that process. We have had several meetings at a variety of levels, a couple meetings in the executive groups, but lots and lots of meetings of various subgroups, starting to pull together the capacity analysis. Then once that is completely done, we are going to do the military value analysis and we are going to run various scenarios and score them against each other. This is just like the BRAC process except we are looking at bases in Europe.

We are hopeful that we will have products at the end of this year. I recognize the fact that in order to influence this budget process, we have to report to you at least the interim results, but frankly, if it takes a little bit longer, we are going to do a thorough job. We are not just going to stop once any interim data is provided to this committee or the House side either.

Senator SHAHEEN. But the goal is to have that report ready to present to the congressional committees by the end of the year?

Mr. CONGER. The schedule that we have laid out at the initiation of the process had us finishing up in December, but I will say that earlier this week Mr. Kendall, my boss, and the chairman of the senior steering group that is running this study said he wants results earlier than that. Now, if that means that we have two batches of results, so be it. But we are going to do what Mr. Kendall says.

Senator SHAHEEN. Do I understand you to say that it is also looking at the opportunities for joint consolidation so that we could put Air Force and Army personnel in a single facility if that was the determination of what was most efficient and effective?

Mr. CONGER. Absolutely. In fact, I would say this: as each Service looks at their own individual footprint, you get a certain set of answers. But if you look at things holistically, sometimes you get more opportunities for consolidation. There might be a case where we can consolidate at a particular location that would put the bill on one Service's back, but a lot of savings to another Service. Under the traditional rules, that would not happen, right? But as we look at things from a joint perspective, that would be exactly the kind of thing that we might recommend.

Senator SHAHEEN. So I was struck by the fact—and we had this conversation yesterday—that there is money recommended in this budget proposal to support a new round of base closures. I am curi-

ous about why money was not also put in to look at overseas base closures as well.

Mr. CONGER. I think it is an issue of scale. One of the things that we heard from Congress last year was that we did not have a wedge built in for a BRAC round to pay for it. That reduced the credibility of our BRAC request, and it was a fair criticism. This year, we wanted to address that criticism, and we used earlier BRAC rounds as a model to come up with a projection and say, here is what the net requirement would be across an entire BRAC round; we laid in a wedge that we would be able to leverage against that.

A BRAC round is bigger than European rebasing round, and so we have not specifically laid in that wedge. Moreover, I would say because we can just go off and do the European review without congressional authority at this point in time, because you need congressional authorization to do a BRAC round, we can just start running with the European review. We just went ahead and did that.

Senator SHAHEEN. But you are assuming you have money that you could shift in the budget in order to accommodate those closures.

Mr. CONGER. I am assuming that if an investment is required in order to accommodate the recommendations of a European basing round, that that will be provided to Congress in a budget request.

Senator SHAHEEN. Thank you.

Ms. Ferguson, I noticed that the Air Force budget request includes $34 million in new operational facilities in the United Kingdom. Why would we authorize new facilities until we have the results of the study that Mr. Conger referred to?

Ms. FERGUSON. The fiscal year 2014 MILCON was put together recognizing that we may have a European infrastructure consolidation, but we made a determination that these would be required. However, if at some future point that would change, we would not execute those dollars, but right now we would anticipate needing those.

Senator SHAHEEN. Why are they so urgent?

Ms. FERGUSON. They support U.S. Special Operations Command at Mildenhall. I can get you a more detailed response.

[The information referred to follows:]

The Military Construction (MILCON) projects requested in fiscal year 2014 in the United Kingdom include a $22 million Guardian Angel (GA) Operations Facility at Royal Air Force (RAF) Lakenheath and a $12 million Main Gate Complex at RAF Croughton.

U.S. European Command (EUCOM)/U.S. Africa Command (AFRICOM) requires an increase of U.S. Air Forces in Europe GA personnel recovery assets to fully respond to and support simultaneous contingency plans and operations. The GA Operations Facility project at RAF Lakenheath constructs a 6,045 square mile facility for GA Squadron operations, administration, warehouse, equipment storage, and aquatic training, which provides the minimum facility requirements necessary to meet a EUCOM and AFRICOM requirement. The proposed project enables full operational capability for three GA Unit Type Codes (UTCs deployable asset) and one Support UTC planned for fiscal years 2014–2016. Without this facility, there is no adequate permanent facility to accommodate additional personnel and equipment. Critical equipment/assets will have to be stored outside and exposed to elements, thereby inhibiting mission readiness and expediting degradation. There are no aquatic training facilities currently available at RAF Lakenheath to ensure water-based training currency for GA personnel. Currently, they use an off-base pool (only

allows fin swimming 1 day per week, and does not meet dive training requirement). It involves a 4-hour round trip and $750 per day rental fee. If the project is slipped, personnel will need to be housed in temporary accommodations.

The Main Gate Complex project at RAF Croughton constructs a 1,074 square mile Main Gate Complex including the main gate, visitor control center, privately-owned vehicle inspection area with canopy, large vehicle inspection station and overwatch building. The project also includes a road network providing controlled flow and separation of vehicles for inspection, plus capacity for peak flow traffic during heightened security. The current entrance fails to comply with security directives, increasing risk to airmen, critical satellite communications missions, and Department of State regional communications hub. The requirement is driven by Joint Staff Integrated Vulnerability Assessment write-up, DOD 2000.16, UFC 4–022–01, and Operations Order 08–01. There are no acceptable workarounds and the current gate is noncompliant due to lack of acceptable queue space, serpentine, etc.

Senator SHAHEEN. Okay, thank you.

Senator Ayotte?

Senator AYOTTE. I want to thank the chairman.

I wanted to follow up, Mr. Conger, on the questions that you were asked by Senator Shaheen. Just so we understand it, is it the intention of DOD, once this review is completed obviously, you do not necessarily need the same type of legal authority that you would with a domestic BRAC round—to come to the Senate Armed Service Committee to report your recommendations for the European base closing?

Mr. CONGER. Absolutely. Obviously, we are doing this from a good government perspective, but Congress was very loud and very clear, and to do something and then not take credit for it would seem to be a little bit unproductive.

Senator AYOTTE. That is important and I think that one of the issues that I did not raise in my opening statement but, obviously, Senator Shaheen has just hit upon, is that I think it is very difficult for this body to even consider undertaking a domestic BRAC round without a full consideration of what bases could be consolidated and/or closed overseas, given that the interest is always to have domestic capacity foremost.

One of the things that I think will be important for the overall committee to hear—and I am assuming that it would be important on the House side too—is to be able to evaluate the European plan. What savings do you think you can realize from that and then, obviously, see what the costs are, because I assume there are some costs in going through the European closings, either of relocating and/or in some instances you have environmental issues, et cetera, that you would have even with a domestic round. We would then evaluate whether there is merit to bringing the domestic BRAC round.

So I think that is why this is so important; that we have a full understanding before we would go forward, and also given the history on the 2005 BRAC round. I understand what you are saying about that this would be very different. But again, a lot of this is out of the control of DOD, correct? You do not control the BRAC.

Mr. CONGER. To a degree. We make our recommendations and then the commission reviews them and makes changes. Traditionally, the majority of DOD's recommendations are upheld by the commission.

Senator AYOTTE. There have also been changes too.

Mr. CONGER. There have been changes.

Senator AYOTTE. It is independent.

So this is an important issue and I appreciate the chairman's questions on this issue because we look forward to seeing your plan and understanding what it is really going to take and what savings, and then we can discuss whether it makes sense to have a domestic BRAC round. I still have a lot of concerns about it.

I wanted to follow up. I know that I raised in my opening statement the idea of the east coast missile defense site and the EISs that were asked for based on the last defense authorization. So I am not sure, Mr. Conger, if this is the right question for you, but can you give us a status update on where things are with that?

Mr. CONGER. I can. Fortunately, I was signaled that you might ask that question. I checked with the Military Defense Agency (MDA), who owns the ball on this. So MDA has started the study and is in the process of narrowing the potential sites down to five or six within the next 30 days. MDA is on schedule for completing the study by December 31st, as required, and the EIS is projected to start subsequently in 2014 and will take 18 to 24 months to complete. So that is the status of the study.

Senator AYOTTE. Just so we understand, if the EIS starts in 2014 and takes 18 to 24 months to complete, we are in or beyond 2015.

Mr. CONGER. I think that is right.

Senator AYOTTE. Director Clapper just told me that there are many that believe that Iran will have ICBM capability by then.

Mr. CONGER. I am going to have to defer to the MDA folks to be able to answer your more detailed questions on this. I did want to make sure that we had this status for you.

Senator AYOTTE. I will follow up with the appropriate folks on this issue because it seems to me that there is more of an urgency than the administration, given some of the threats we are all concerned about with Iran. Obviously, I appreciate the administration's enhancement recently in Alaska of the ground-based interceptors. I will bring this to the appropriate individuals at DOD. But it seems to me there needs to be a greater sense of urgency so we can truly make the decision and put this information in the hands of the President sooner rather than later, given the threat we face from Iran.

Secretary Ferguson, I know that you played a very critical role. You already discussed that you will get back to the committee once you make the basing decision for the KC–46A and appreciate certainly the work that you are doing on that. Can you give us an update on how that process is going forward?

Obviously, this is something that the chairman and I have a deep interest in. We are very proud of the work done by the 157th Air Refueling Wing, and particularly the objective criteria, the strategic location, close to the operational refueling tracks, and most of all, the performance of the pilots there, given that they have supported every major contingency operation. If you can give us an update on where things are with that? Are they on track and what we can expect when the decision will be made?

Ms. FERGUSON. Of course. Thank you.

Pease was selected as one of the candidate locations a few months ago, and right after the first of the year each one of the candidate bases was site-surveyed by a joint team from Air Mobil-

ity Command in the Air National Guard. Those site surveys are now all complete. Air Mobility Command has brought the results of those site surveys into the Pentagon, and the gentleman sitting behind me now chairs the Strategic Basing Executive Steering Group. So the baton has been passed.

Senator AYOTTE. Welcome. [Laughter.]

Senator SHAHEEN. We hope you plan to stay for a while.

Senator AYOTTE. We are glad and also we would love to have you come to New Hampshire. [Laughter.]

Ms. FERGUSON. So he is running that through the process right now over the next few weeks. There are a series of briefings. These are decisions that the Chief and Secretary do not take lightly, and so we do not go and just run time, give them the briefing, and walk out. We do not make recommendations to them. So there will be at least three events where the Chief and Secretary get briefed on the results of the site surveys. In the room, they have their senior advisors, the Commander of Air Mobility Command and the Director of the Air National Guard. Once they make the decision, then Mr. Bridges will be over. There will be telephone calls certainly made to folks as well, but then there will be a rollout here. About the middle of May is what we are anticipating.

Senator AYOTTE. Great. Thank you for the update.

Senator SHAHEEN. Welcome, Senator Kaine. Even if you are not from New Hampshire, we are delighted you are here. [Laughter.]

Senator KAINE. Yes. Sorry to break up the gang here, but it is great to be here. Thank you and thank you all for your service and especially at a challenging time. You are doing important work at a challenging time.

So I want to stick with BRAC too. It is an observation and a question, and I want candor and even argument with my observation. For my colleagues, I am saying the same thing because it may be something that my colleagues have different feelings about.

I was on the BRAC commission, the State-appointed BRAC Commission in Virginia, pre-2005 as the Lieutenant Governor at the appointment of Senator Warner, Governor at the time. My observation about it—and I credit your points that 2005 might have been different than earlier rounds—was that once the BRAC round begins, every last community and every last base or installation and its surroundings was on high alert. Whether they have a need to be or not, they are and they hire the phalanx of accountants, PR people, lawyers, and lobbyists, and they spend a lot of time and a lot of drama preparing and lobbying. We certainly did that, and then there is an announcement and then there is some process following the announcement.

But I have been underwhelmed at the amount of savings that results from all the drama. So if there have been five BRAC rounds and there are $12.5 billion of annual savings, it is about $2.5 billion per round in a $3.6 trillion budget. Yet, there is a lot of additional expense on the communities and a lot of expense that might have an effect in the local economy too. There is anxiety, that expense probably does not get captured. So it seems to me that the process is big, complicated, and costly, and creates a lot of anxiety, but the savings at the end of the day, frankly, are not all that great.

One of my assessments for why the savings may not be that great: if you start with a process where your job is to look at installations, it is not really overall a cost savings exercise. Let us look at cost savings generally, but if it is just installation-specific, it is not really an integrated review. It is just pulling installations out.

There is a second example in Virginia that I thought was an interesting one that was not a BRAC. Certain projects are subject to BRAC because of the size and certain are not. After I was Governor, Secretary Gates asked if the Joint Forces Command (JFCOM) in Hampton Roads, which I think had been initiated under Secretary Rumsfeld as part of the transformation, the jointness approach: do we really need a separate JFCOM when the Joint Chiefs of Staff have offices next to each other on the same floor of the Pentagon? Do we need a separate command for this? It was not subject to BRAC because it was not of a certain size, and it was a suggestion of a closure of a mission, not a huge public process, not a lot of sturm and drang. Secretary Gates announced that he did not think we needed this.

The Virginia congressional delegation got together and did not like this. This is important to the Hampton Roads economy, but they also said Secretary Gates laid out some rationale and was not 100 percent wrong. There was a good faith behind the rationale.

The congressional delegation went to the Pentagon and said they understood the rationale about the entire command, but there are some missions being performed that are valuable that would be performed under any scenario. They hoped that the DOD would keep these and keep it in Hampton Roads.

Without a BRAC round and all the process surrounding it, that discussion took place. The decision was made to stand down JFCOM, but some functions should remain and many of the functions did remain in Hampton Roads. There were savings, but it was a different kind of a process.

Analyzing those two, I know we need to save money, and I think we probably need to save money including in installations. But the way Secretary Gates made the JFCOM announcement, it was not part of an installation-specific review. It was mission-driven rather than installation-driven. He said this mission is not one in a resource-constrained environment that is at the top right now in terms of funding.

To me, that had some real virtues to it. It did not create the sturm and drang for everybody. There was a mission-driven announcement. There was opportunity for Members of Congress to come in and say we think you got it wrong, and we have an alternative. We hope you will consider it. There was a discussion. There was a consideration. It saved money.

I am wrestling with going forward; we do need to find savings, and I think we may well need to find savings on installations and I think certainly installations overseas. But I am open to the notion that some of the savings that we may need to find in installations would be here. I gather that is why, when you say we support BRAC, you are all saying we may have excess capacity in installations. We need to deal with it.

But what I am wondering about is whether the process of a BRAC seems big, expensive, creates a lot of drama, and not likely

to lead to a lot of savings. There is a different way to come at it, which is basically a strong executive makes a recommendation as we are looking at ways to save, here are ideas. Some of the ideas have impact on installations, maybe even some closures. We are making those recommendations to Congress, and Congress, now we want you to wrestle with them.

I am the only Governor in Virginia that left office with a smaller budget than when I started because I had to. I get no virtue points, I was required to balance the budget during a recession. I had to make a lot of painful recommendations to my legislature, including closing installations, not military installations, but we had schools for the deaf and blind and training facilities and all kinds of things. I would make recommendations, including closing installations.

Invariably—and you know this, Governor Shaheen—my legislature would say I was a heartless dope and I had not thought about it enough. Then after about 3 or 4 months of looking at the budget, they would basically approve about 75 percent of what I proposed. They would not take back the heartless dope comment, but they would eventually come to see that I had thought about it and maybe I was making some good recommendations.

A second way to come at this installation issue is not the massive BRAC process that gets everybody all worked up, but is just for the Chairman of the Joint Chiefs, after discussion with the branches, to make a series of recommendations on cost savings. It would not be limited to installations. It would not be installation-specific but it would be mission-driven and because they are mission-driven would probably include some installation recommendations. Then it would be on Congress and we would have to make hard decisions.

I think BRAC was set up as almost an anti-accountability mechanism. It enables us to make decisions without anybody's fingerprints being completely on them. But the more of those things we do, the more of these anti-accountability strategies we come up with, and the more we try either as an executive or a legislature to keep our fingerprints off things, it does not seem like we are going the right way in making the fiscally responsible choices. It seems like the more things we come up with, we go the wrong way.

So I am just saying this for my colleagues, and I said it briefly at the full hearing the other day, and I would say it to you as well. If we have excess capacity, is the big BRAC round the right way to deal with the questions of excess capacity? That is, I guess, the question that I would pose to everybody.

I would love to hear your thoughts.

Mr. CONGER. I will take that. A couple of things.

First of all, I am sympathetic to the heartless comments. As you might imagine, being the person who has to come up to the Hill and talk about BRAC, I am not winning a whole lot of popularity points myself.

As far as $2.5 billion being a relatively small amount of money, as you might remember, there is the old quote that says, "A billion here, a billion there, and sooner or later you are talking about real money." I think that that is reflected in the fact that these savings recur. If you are talking about $12 billion out of a big budget, that is one thing, but if you are talking about $12 billion that happens every single year, that is like getting a new aircraft carrier every

year or six submarines. $2.5 billion might not seem like a lot of money in the budget, but if the alternative to doing a BRAC round was cutting a submarine, there might be some other folks who might have an issue with that. I am using naval examples because they are big, but it is reflected across all of our things.

With regard to JFCOM, the dynamics are different with the JFCOM facility because it was within the scope of the BRAC law. There is a specific law that says we cannot just go off and close bases in the same way, and because JFCOM was part of a larger base, it did not have the same legal triggers. You are familiar with all of this and that is why that was a different scenario.

We are looking for ways where we do not need authority specifically from Congress to go ahead and go save money. We are not sitting idly waiting for BRAC. That is why we kicked off the European round already because we do not need authority to go off and do that. So we went off and started working it. There are other examples where we are driving towards efficiencies throughout DOD, and we have to do that. Installations are just one piece of the puzzle. But as we cut down in force structure, it would be irresponsible of us to not try and propose ways to cut the tail as we cut the tooth. So we have to look for a way to find this money.

I respect the drama that goes on in communities as they prepare for BRAC. It is a difficult process, but it is a fair process. One of the dynamics that led to BRAC in the first place was that when base closures were proposed, there was politics. It depended on who the chairman was, on what got closed and what did not get closed. This was a way to take politics out of the process and put it into a "you cannot edit this list" type of dynamic. So you did not have the base closures depending on who was the most senior person at the table. So it is about fairness in that regard. There is a whole other dynamic in the BRAC law, but I think that is the one that is pertinent to this part of the discussion.

Senator SHAHEEN. Does anybody else want to respond to that question?

Ms. HAMMACK. Yes, I just want to make a comment that in Europe, where we are reducing our force structure by 45 percent, we are systematically closing bases and we are consolidating. Navy and Air Force are also looking at their infrastructure. OSD is taking a look at what is already in process underway to see if there are additional opportunities.

Now, anytime Army, Navy, or Air Force has property that is excess, the first thing is to go to the other Federal agencies and essentially say, "hey, does anybody need this?" At that point in time, the Army is moving into an Air Force facility that was excessed, and we do some of that already.

OSD is looking to see if there is anything else that could be done if all options have been evaluated. So when we talk about BRAC in the United States, we are reducing our force structure size, and with the PEA, we announced that there are 21 locations that might have force structure reductions. That is going to create excess space. Each brigade combat team takes up a little over 1 million square feet. So we are going to have holes. We are going to have empty buildings, and we are going to have places that we could move other units or other options into. In order to consolidate our

infrastructure, we need the authority. Congress has told us we cannot close any of these facilities without authority.

Senator KAINE. Congress has not said you cannot recommend to us things that should be closed. I agree, you cannot close without our approval, but there is no prohibition to the DOD making recommendations about how to take those gaps, consolidate, and then leave them subject to our approval. So I get that you cannot do it unilaterally, but you can still propose.

Mr. CONGER. That is why BRAC was designed to take politics out of the process.

Senator SHAHEEN. Senator Lee?

Senator LEE. Thank you, Madam Chairman.

Thanks to each of you for joining us today.

Mr. Conger, Under Secretary of Defense Robert Hale stated multiple times during the DOD posture hearing last week that the 2015 BRAC proposed by the President in his budget would be significantly different from the last BRAC that we had in 2005. Can you elaborate on what Under Secretary Hale might have had in mind when he made that statement?

Mr. CONGER. Sure. As I noted at the beginning of the hearing, I think he was right. The BRAC 2015 will not look like BRAC 2005. BRAC 2005 was conducted while force structure was growing, while budgets were growing, and under leadership that directed the use of the authority to accomplish transformative change, not just elimination of excess. Today force structure is shrinking, the budget is shrinking, and we are firmly focused on reducing our future costs. That is the dynamic that we are dealing with here.

You get to a point under the BRAC law and constrained by the BRAC law where even if we were in an environment without excess, we would not be able to shift things around because BRAC says you cannot move functions around. One of the things that happened, in addition to eliminating excess during the 2005 round, was that Secretary Rumsfeld wanted to optimize where we are all located. So not everything was driven by savings. Should it have been that way? That I leave open to the committee to judge. But that was part of what drove the recommendations that we got in 2005. It is different from the recommendations that were in the 1990s.

I would offer that Mr. Hale's comments drive to that point that we are focused on saving money and eliminating excess because of the dire budget situation that we are in. We are looking to save money and this is going to be a round much closer to the ones from the 1990s.

Senator LEE. Okay.

Ms. HAMMACK. If I may make a comment.

Senator LEE. Yes.

Ms. HAMMACK. Another thing that is not well understood is the Army moved units back to the United States from overseas. So in Korea and in Europe, we had facilities that were optimized for those units. When we moved them back to the United States, we had to build new infrastructure to house them. From an Army standpoint, we did not really reduce our overall square footage. For us it was a realignment more than it was a closure. Although there

were some facilities that were closed, it was realigning a lot of our units and realigning our forces. So it was a very different BRAC from all of the other BRAC rounds.

Mr. CONGER. To add on that point, the closures overseas are not calculated as part of the savings as GAO audits them. The savings that we calculate are domestic savings.

Senator LEE. Okay. Given that factor and the set of circumstances you identified, economically we are in a different position now.

Ms. Ferguson, I want to talk about the F–35 for a minute. Last week there was an announcement that the EIS for the F–35 basing decision was delayed until I think this fall. That, following the incorporation of new census data into the EIS and the determination, additional public commentary was necessary in a lot of that data.

Do you think this will have any impact on the arrival of the first operational units of the F–35 that are scheduled for 2015?

Ms. FERGUSON. No. Based on our analysis, the delay of the EIS to the fall of this year will have no impact. Now, there could be other impacts to delivery beyond the EIS, but directly related to the delay of the EIS, no.

Senator LEE. On this one alone, you do not see it having that impact.

Ms. FERGUSON. No, it should not impact.

Senator LEE. Are you concerned that even if there is not an impact, that this could at least create less of a margin for delays, for any other delays that might come up? We are slicing it thinner and thinner. I assume you would agree with that.

Ms. FERGUSON. Certainly as we get closer to the delivery of the first aircraft and we have construction still to do at the first operational location, then we need to make sure that construction is done to the maximum extent practicable before that first aircraft arrives. But we have taken a look at that, and we are not concerned at this point.

Senator LEE. Okay. The reason I raise the concern, as you can imagine, is that we have had a number of delays in connection with the F–35, but it sounds like at this point you are not anticipating any additional delays.

Ms. FERGUSON. We are not.

Senator LEE. Can you tell me why originally census data from over a decade ago was being used in the EIS process?

Ms. FERGUSON. When they started working on the EIS, that was the only data that was available. The 2010 Census data had not yet been published. They got through the end of the process, published the document, and then by that point in time, the 2010 data was published. For one of the locations, that data was significantly different. So we went back and modified the EIS to incorporate that new data.

Senator LEE. Right. Can you help me understand why it is that the incorporation of the new census data necessarily required new hearings to be conducted for new input on the EIS?

Ms. FERGUSON. We are not going to do new hearings. We are going to put the EIS out on the street for a public comment period, but we will not accomplish additional hearings, but it will provide

the public the opportunity to comment on the updated information that will be contained in the EIS.

Senator LEE. Now, we know that sequestration is likely to slow the input, will slow down the induction of some aircraft into depot. What impact do you think the slowdown will have on the working capital fund and depot labor rates?

Ms. FERGUSON. On depot labor rates, I do not have that specifically, but we do know with the combination of the reduction in weapons systems sustainment, we are reducing weapons systems sustainment by about 18 percent. We have civilian furloughs; the 35,000 civilians at the depot will be out. We are anticipating 60 fewer aircraft will be inducted and about 35 fewer engines will be inducted. Through a combination of those factors, it will take us a period of time to build out of that bow wave. It could take us a year or more to come out of that after we realize the effects of sequestration from 2013.

Senator LEE. How can DOD work to address, anticipate, and mitigate against the so-called bow wave that will be caused by the slowdown in depot inductions that we are seeing?

Ms. FERGUSON. The Air Force Materiel Command staff, the staffs at each one of the depots, headquarters Air Force, my staff—they are working very closely with everyone at our lifecycle management center to try to mitigate that. But right now, with an 18-percent reduction in weapons systems sustainment, the furlough, reduction also in flying hours contributes to that as well. There will be a readiness impact associated with that.

Senator LEE. Okay. All right, thank you.

Thank you, Madam Chairman.

Senator SHAHEEN. Thank you.

Mr. Conger, I want to go back to the European infrastructure question because there was one piece of it that I did not get to, and that is the NDAA for Fiscal Year 2013 required DOD to evaluate the feasibility and cost savings that could be realized by closing and consolidating operations of the 16 major defense agencies of DOD that are also maintaining facilities and personnel overseas.

So are these facilities going to be part of the Secretary of Defense's review of the infrastructure in Europe?

Mr. CONGER. We are doing a comprehensive look. It is going to include the defense agencies, yes.

Senator SHAHEEN. Do you believe that they also maintain excess or under-utilized facilities overseas?

Mr. CONGER. I think it is fair to say that defense agencies, in particular those that support the force structure, are proportional to the force structure. Therefore, if we find efficiencies and optimization in basing of our forces, people consolidate in a particular location, you may need fewer schools, fewer medical facilities, et cetera. Those are the supporting requirements of having a force in a particular location.

Senator SHAHEEN. Thank you. I look forward to seeing that report when it is completed. I certainly hope that the urgency about expediting it will be conveyed to DOD.

I want to go now to some issues that were raised in a report by this committee's review of overseas basings that looked at some of the projects that are built with in-kind payments from foreign gov-

ernments. For example, the committee's review found that the Army does not approve construction projects that are built with in-kind payments in Korea.

Secretary Hammack, can you let us know why the Army does not review and approve these projects? Is this something that should be approved and reviewed by the Army? How can we make sure that they are subject to that same review as other projects?

Ms. HAMMACK. They are reviewed by the Army, but they are also subject to the requirements of the U.S. Forces Korea commander, which is a combatant command that works through the OSD. So I would defer to Mr. Conger.

Mr. CONGER. In general, the requirements are—they originate from one of the Service subcommands inside a theater, come up through the combatant command, come over to the Joint Staff, and they are being reviewed at each step in this process for approval inside OSD. So there are a variety of looks at each of these.

Senator SHAHEEN. As we discussed yesterday, some of the projects that have been discussed raise questions about whether there is urgency to those projects, given all the other demands that currently exist. So I wonder if you are looking at legislative or procedural changes that could help ensure that the projects that are being funded and undertaken are those that are real priorities and not something that is less than a priority for the various Services.

Mr. CONGER. I understand that point. As we discussed the other day, the report led to the Washington Post article. Several of the examples were highlighted in there.

One thing I did want to make sure that everybody was aware of is that when a project list is approved at DOD, the Deputy Secretary of Defense sends a letter over to Congress saying this is the list of items that we are looking to pursue. In particular, I am talking about the payment in-kind projects in Germany because those were the ones highlighted in the article the other day. That oversight process is responsive to Congress.

In particular, I would point out that one of the projects sent over in July of 2011 was a warehousing project that this committee sent a letter to the Pentagon on and said we have concerns about. We, as a consequence, even though it was 2 years later, put a hold on that. We are looking at it, and in fact, the facts on the ground do change. The warehousing project in particular that, once again, we notified the Hill about 2 years ago, because of the reduction in forces at Grafenwoehr, while the requirement has not changed, there is more space available, and so we did not necessarily need to build the project.

The oversight of this committee helped us to save some money and so that is valuable. We send these reports over to Congress not because we think you are going to file them in a drawer, but because we value your feedback.

Senator SHAHEEN. Sure, and I appreciate that, although the report suggested that there were some projects that had gone forward without sufficient notification to the appropriate committees in Congress. Do you disagree with that?

Mr. CONGER. We can look through those in particular, and I think we need to have an ongoing conversation about that. Some of the ones that were highlighted have not actually been submitted

for approval yet. I mean, they are in the preliminary stages. We have not even gotten them in OSD. But the investigators from this committee went out to Europe and they looked at the lists of projects that they were looking at, and some of those made it into the report even though they were pre-approval. They were just under consideration.

Senator SHAHEEN. Again, I guess I am not sure I quite understand what recommendations you might have to improve the current process so we do not have things like sunroom additions to senior officer housing in Germany done at a time when there are other priorities that supersede that.

Mr. CONGER. Yes. The sunroom one was sent over in 2010. It was $200,000 total for changes to three housing units in order to bring them up to the standards for the individuals that they were hoping to station in them. Those projects in retrospect—were they ideal? Well, it brings the housing up to standard. So we do not want to be subject to the churning of the sound bite in that it does not sound particularly like a high priority to add sunrooms to housing. There is a certain amount of space that is associated with a certain rank of officer, and they were trying to make sure that the housing was up to standards for the people that they wanted to station in the housing.

Senator SHAHEEN. I appreciate that. I guess my concern—and I am still not clear on how or whether you think it is appropriate to address it—is the oversight of the projects that are undertaken and to what extent there is appropriate oversight. How you prioritize how those in-kind contributions are done? It is still not clear to me exactly how that works.

Mr. CONGER. I think that securing construction from foreign governments is valuable to DOD and to the country. I think it is important to be able to receive those payments in kind, to receive MILCON from other nations.

Senator SHAHEEN. I am not taking issue with that.

Mr. CONGER. Is there enough oversight? I think we can have a conversation. There certainly is oversight. Is there enough oversight? That is something that we should engage in. In all honesty, given the degree to which we are looking to reduce force structure in Europe and given the degree to which we expect probably an increase in those payments in-kind coming up in the future as we go through our reductions, as we hand bases back after brigades are removed, after we go through our European base review, there is going to be a lot more of this. So as a consequence, we are going to want to do more oversight, and we should do that with this committee.

I do not question for a second that this committee, OSD, or the Services should be doing oversight over these projects. What was a relatively small list in the past may become a bigger list, and we need to make sure that we are all on the same page.

Senator SHAHEEN. Certainly I think this subcommittee would appreciate the recommendations that you will be looking at for how to improve the oversight process.

Mr. CONGER. Yes, ma'am.

Senator AYOTTE. I thank the chairman, and I would share in her request that we do greater oversight for these in-kind contribu-

tions. I understand that we are grateful that these nations are willing to give in-kind contributions, but given that they are on our bases, the oversight is still very, very important. So I would share her request that we be more engaged in that oversight and more vigorous oversight.

I wanted to ask Mr. Natsuhara about the plan that I referenced in the opening that we recently received that was required pursuant to the 2012 NDAA, the modernization of naval shipyards.

As I referenced in the opening, we certainly have some facilities that are aging with our shipyards. Looking at the facilities, some are approximately 60 years old. The average dry dock age is 79 years old. So the overall condition of infrastructure is certainly a big challenge. As I mentioned in the opening, the Navy will need, according to the report, about 17 years at the current funding rates to clear the current maintenance backlog.

So I appreciate that you are trying to look at ways to quickly address the maintenance backlog. So can you help us understand what additional annual funding you will need to achieve this goal? I would also like to understand what the impact is on sequestration, thinking about especially 2013 and 2014. I know you have submitted a budget request with us assuming that sequestration gets resolved, but I think we need to understand what the implications are if this thing stays in place.

I would also open up that question beyond this issue with the backlog on the maintenance and ask all of the witnesses to talk about the long-term implications if it is not resolved.

Mr. NATSUHARA. Thank you.

Based on our plan, we believe that our projected budgets out through the 17 years, that we will be able to meet that 17-year plan. It was all based on very detailed analysis and study with our Chief of Naval Operations staff, our Naval Sea Systems staff, and Naval Facilities Engineering staff to really balance the risks to determine what is that right risk to recapitalize, clear the backlog of the shipyards to maintain their mission, but also balance the rest of the Navy's priorities in facilities to make sure that we do not fix one part of the Navy at the expense of the other. So it was a very balanced approach we took trying to balance the risks of the shipyards and the rest of the facilities. So we believe our budget will be able to match the 17 years.

As far as 2013, we will be able to meet for the shipyards, the 6 percent requirement. We have already funded that. We will be able to meet—but for the rest of the depots, the Fleet Readiness Centers, we are not there yet because of sequestration, but for the shipyards for 2013, we are going to meet the 6 percent.

For 2014, we do not know yet. Our plan is in our budget, but we do not know what the sequestration is going to be. So we will do that analysis if that happens.

Senator AYOTTE. So you have not done the analysis yet if sequestration goes into place, how this thing impacts the maintenance going forward?

Mr. NATSUHARA. We have not done the analysis yet.

Senator AYOTTE. I would ask for follow-up information on that. It is just important for us to all understand here because the more information I think Members of Congress receive on the implica-

tions of this long term to the overall readiness of our forces, I think it, hopefully, will help get people off the sidelines here to try to resolve this in a sensible way.

So I would also ask the other witnesses to be able to comment on what we look at going forward in terms of each of the areas that you are responsible for.

Mr. CONGER. Before we get into the specifics of each individual service impact, let me speak a little bit broadly about sequestration and how 2014 is different than 2013.

In fiscal year 2013, sequestration is an appropriations/authorization issue. It is all about individual accounts, how much money is available in individual accounts and the specific cuts that were taken that we are trying deal with halfway through a year. They are severe. They are rigid. Without question, as I mentioned earlier in my opening statement, they have consequences.

That said, in fiscal year 2014, the President's budget request and the administration position is that we are not taking sequestration cuts in the defense budget but rather the administration's deficit reduction plan accommodates those cuts elsewhere. That means this becomes a budget resolution issue as opposed to an individual appropriation type of issue. The question is—and frankly, it is up to Congress to decide how that is dealt with, whether the particular offsets that the administration proposed are rejected or if——

Senator AYOTTE. Let me just interject for a minute.

Mr. CONGER. Yes.

Senator AYOTTE. We are where we are. So the Senate did a budget resolution. The House did a budget resolution. Who knows if they will get reconciled. The President's is hanging out there, a post-budget thing. I think we are where we are right now.

Can you just let us know, assuming the status quo going forward and the President's plan does not get passed, which I think at this point is unlikely that it would, where are we?

Mr. CONGER. If the question is: what is the impact to DOD if, in fact, there is another broadbased 8 percent across-the-board cut——

Senator AYOTTE. Yes, because the law stays in place as it is. The only thing you have differently is the Appropriations Committee can work with you versus the across-the-board approach, which they have already done. We did in the Continuing Resolution. But going forward, the numbers are where they are unless we make a change around here, as I understand it.

Mr. CONGER. I think for that broadbased answer, I defer to my colleagues to say if they took that specific cut in each of their areas, what it would be. But I think from a broader perspective, I think that rather than this panel answering the question in a narrow sense, I think it has to be a wider DOD answer for you, and we would have to get back to you.

Senator AYOTTE. I want you to know I have been asking this. All of us have been asking this in every hearing we have had with the Service Chiefs, with everyone. So to the extent you cannot answer us, I think it is important because there needs to be a full understanding around this place about what the real implications are.

Thank you.

Ms. HAMMACK. For the Army, the fiscal year 2013 budget is a 63 percent reduction in our sustainment, restoration, and modernization. It is a risk and it does create what has been called a bow wave of a backlog of what needs to be done. An analogy that I heard, it is like not maintaining your car, there is a risk. When we are focusing only on the most critical life, health, and safety, we are taking a risk by not maintaining our existing infrastructure.

Senator AYOTTE. So after a while, if you do not change the oil, you have an issue.

Ms. HAMMACK. You have an issue, and that cost of not changing the oil is much higher than if you had maintained the oil regularly. That holds true for maintaining our heating, ventilation, and air conditioning (HVAC) equipment. It holds true for maintaining our infrastructure, replacing roofs when they are at end of life versus waiting for failure. It is a higher cost if you wait for failure.

In our 2014 budget, we took a reduction and we are taking a risk. It is 10 percent lower than what we thought was ideal, but it is taking a risk and that is how we are responding to the effects of a reduced fiscal environment. If we have to go further, if we have to go as deep as we did in 2013, it is going to be even much more of a bow wave. It is critical and it is something that we are going to have to respond to and fund at some time. Buildings need to be maintained. That is a fact.

Senator SHAHEEN. Senator Kaine?

Senator KAINE. I just want to come in on Senator Ayotte's point. We had an interesting interchange in the same way at the full committee hearing last week with Secretary Hagel and General Dempsey. I thought it was interesting because I think the questions from the Senate side—they might have seemed like hostile questions, but I think they were actually helpful questions.

I fully support the budget. The way it was constructed said sequester is a bad idea, here is the better way. I completely agree, sequester is a bad idea. There is a better way and that is to significantly moderate the effects of sequester by reducing the size of the cuts, by making them targeted and not strategic, by not spreading them evenly across the 10-year budget, but back-loading these kinds of concepts. I am glad you prepared it that way.

But the challenge we have is with our colleagues to really demonstrate why the administration's version is much better than the sequester version. Part of that is if you had to live with the sequester as is, if there is no alternative, instead of the budget that you have put on the table, which is not really your optimal budget—you are dealing with the cut already, as you described. You have presented it and you have had to sharpen the pencil and multiple drafts.

But if you, the DOD, could show in large scope and if we do not get that and we have to live with the sequester, here is what this looks like down the road, I think we will create more momentum within our colleagues. This is what a lot of us are trying to do, create momentum within our colleagues to say we like the administration's version better than the status quo. So that was a request that was made DOD-wide, but it was a helpful request. I think this is going to help us add allies to try to come up with a budget that

is better suited to what you are trying to do to keep our country safe.

Senator SHAHEEN. Thank you, Senator Kaine.

I want to go back to the in-kind burden-sharing issue for a minute, Mr. Conger, because one of the areas addressed by the Armed Services Committee report was South Korea, and one of the items in the budget that got my attention was a request for $52 million to replace a school at Camp Walker in South Korea. I wondered if, before requesting those funds, DOD had considered trying to use South Korean in-kind contributions for that, and if not, why not. Is this not exactly the kind of project that we might be able to use in-kind burden-sharing funds to support?

Mr. CONGER. I will tell you what, I do not have a specific answer to that question right now. I will get you one for the record because I think you deserve a thoughtful, deliberative one rather than me just trying to answer off the cuff.

Senator SHAHEEN. Okay. I appreciate that.

[The information referred to follows:]

The school at Camp Walker would normally be considered for burden-sharing funds, but this particular project is part of a larger Department of Defense (DOD)-wide initiative undertaken in 2009 to improve the overall condition of Department of Defense Education Activity schools, and eliminate those in poor or failing condition. Burden-sharing funds were not used to meet this requirement because U.S. Forces Korea priorities for the funds over their 5-year plan were focused on implementing the Land Partnership Plan, which relocates U.S. military operations north of the Han River mainly to Camp Humphreys. Given that the requirement for a replacement school at Camp Walker was not directly related to LPP, DOD chose to fund this project from DOD resources.

Senator SHAHEEN. I think we will have some follow-up questions for the record about some of the differences that we see in what the report found than I understood your answers to be.

Mr. CONGER. That is fair enough.

Senator SHAHEEN. I appreciate that.

I want to go now to one of the issues that I have been very concerned about and very appreciative of the lead that the DOD, and particularly all of our branches of the military have taken, around energy use. I think some of you have heard me talk about my appreciation for the work that has gone on around energy and energy efficiency, in particular, which is one of the things that I am particularly concerned about. I know in our conversations, Mr. Conger, you talked about the bill that DOD has for energy use on an annual basis, which is significant. So I wondered if each of you might talk about some of the areas where you think you are making real progress around energy use and then, if you could, indicate whether sequestration is having an effect on those areas and how you see the long-term implications of any impacts from sequestration on those energy efforts.

Mr. CONGER. Let me take the second part of your question and defer the first one to my colleagues.

Under sequestration, the O&M accounts have been hit particularly hard and, in particular, the facilities sustainment accounts which have been limited to the life, safety, health types of repairs. Those accounts are where many of the energy efficiency upgrades occur. That is not to say that we are making a lot of changes to buildings just to increase the energy efficiency, although that is

certainly the case. But when you replace the HVAC system, when you add insulation, when you replace the roof, you are making energy efficiency upgrades, and you are lowering your future bill by doing things the right way.

Those proactive, bill-lowering efforts that are normally part of our sustainment budget were deferred because of sequestration in fiscal year 2013, and we have limited the investments that we are making in repair of our buildings. So is there an impact? Absolutely, there is an impact on the energy investments that we are making.

Ms. HAMMACK. From the Army's standpoint, we have focused on leveraging the public/private partnerships, and those are the Energy Saving Performance Contracts. So in fiscal year 2012, we tripled the number of Energy Saving Performance Contracts that we executed and we are on a path to have about the same, if not a higher amount this year. So by leveraging private sector investments, we are able to continue with our energy efficiency.

That being said, as Mr. Conger mentioned, there were some programs that are being delayed and those were the direct-funded programs.

Sequestration also affects us because those in the acquisition community will face furloughs, and that slows down the acquisition process. So that means our processing of the contracts and the task orders is going too slow. So while we are currently on target, we are unsure how it is going to affect us at the year end because there may be some slippage due to the effects of sequestration on our acquisition community.

Senator SHAHEEN. Do you have data that quantifies what the savings are from those performance contracts that you have put in place already?

Ms. HAMMACK. Absolutely, and we can get you that information.

Senator SHAHEEN. I would really be interested in getting that.

Ms. HAMMACK. Certainly.

[The information referred to follows:]

Since 1996, the Army has executed over 170 Energy Savings Performance Contract Task Orders at 72 installations resulting in over $1.17 billion in third party investments. Since 1992, the Army has executed over 350 Utilities Energy Service Contract Task Orders at 43 installations resulting in over $543 million in energy investments. These investments have resulted in annual energy savings of 10.4 trillion British Thermal Units per year and an annual cost avoidance of more than $157 million.

Senator SHAHEEN. Thank you.

Mr. Natsuhara?

Mr. NATSUHARA. At the Department of Navy, we have been very aggressive in our goals. We too are going to be leveraging the third party financing for a lot of our larger projects.

We are very concerned with the sequestration. The Marine Corps cut about 50 percent of what they planned to do on their energy efficiency for fiscal year 2013. That will cause problems in the out-years because the investment that we planned to take this year—we have already taken the savings on the energy. So we are working hard to try to get those investments back because we are just going to create another bill in the out-years. So we are very concerned about that.

On the Navy side, they are taking risk in other areas and trying to recover most of their efficiency projects. They are not there yet. But we also have the same concerns there. The main thing is not only getting the energy savings today, it is if we do not do them today, we are going to have another problem in the out-years. So we are very concerned about that on the shore side.

On the operational energy side or forces side, we have been working hard with our systems commands to try to keep all those energy efficiencies. There it is about the combat effectiveness, making sure the warfighter gets the extra energy savings not just to save energy or money, but to increase their effectiveness for the warriors out there.

Senator SHAHEEN. Will the impact of sequestration be enough to prevent you from getting to the 50 percent savings goal by 2020?

Mr. NATSUHARA. Right now, we think we are going to be okay. We are still doing some analysis because we just got the numbers, but if you like, we can get you a brief on that.

[The information referred to follows:]

The Department of the Navy places a high priority on energy efficiency investments, so at this point in executing the fiscal year 2013 "post-sequester program", the reductions do not immediately jeopardize our ability to meet our energy savings goals (50 percent Navy; 37.5 percent Marine Corps) by 2020. I must caveat this response, however, by saying the outcome is dependent upon enacting a stable investment profile in fiscal year 2014 and beyond that remains unencumbered by future sequester scenarios. Future investment reductions would imperil the Department of the Navy's ability to meet targeted consumption reductions and any other energy goals, including compliance with Federal legislation and mandates.

Senator SHAHEEN. That would be helpful.

I also understood that the Navy had been reluctant to engage in performance contracting. Is that the case, or is this a change that you are undertaking? Are you beginning to do that now?

Mr. NATSUHARA. We are beginning to look at those. We have programmed some money to do some analysis, upfront studies, and they take a little bit of time, but we are looking at those and we anticipate having some of those in the near future.

Senator SHAHEEN. Secretary Hammack, perhaps you could share your experience with the Navy.

Ms. HAMMACK. Absolutely. They can leverage the same contracting mechanisms that we have been using.

Senator SHAHEEN. Ms. Ferguson?

Ms. FERGUSON. In 2012, the Air Force avoided $1.5 billion in energy costs due to initiatives that we have put in place, which I think is a really good news story. Part of that was from reducing aviation fuel consumption. We exceeded our goal early. We reduced our aviation fuel consumption by 12.4 percent since 2006. We have gone now and we have updated that goal, and we are going to look at improving our aviation energy efficiency by 10 percent by 2020, and really looking at how we operate the airplanes, including in a deployed environment.

Some of the things we have done to reduce the fuel costs is we have done KC–135 engine upgrades, which has both an operational efficiency and an energy efficiency. We have C–5 engining. That showed a 3 percent improvement in burn rate. So we are getting benefits from that. We have reduced our facility energy consumption by 22 percent, and we are on track to meet the 2020 goal, and

we have done that since 2003. In 2012, we avoided $300 million in facility energy costs because of the initiatives we have put in place.

The impact of sequestration: we are delaying about 220 energy-related facility projects. The cost for those projects was right around $150 million, but the annual savings for those would be about $25 million. So it would pay back in about 5 to 6 years. So we are deferring that, but we are continuing to look for opportunities. I envision that there could be similar issues that come up on the operational side, but we are going to continue to look at that. Energy, of course, is a high priority for DOD, and we will continue to focus where we can.

Senator SHAHEEN. So when you talk about the aviation savings, is most of that accomplished through changing out the engines for more efficient engines, or are you also looking at biofuels as a way to save long term on energy use?

Ms. FERGUSON. We have looked at biofuels and all of our aircraft have been certified both on hydrotreated renewable jet and Fischer-Tropsch fuels, those are there. We are not going out and actively purchasing those, but those are there if it makes sense to buy them.

Where we are really seeing savings is by changing the way we fly, how we load C–17s and C–5s and doing them more efficiently, and seeing how we can operate in a more efficient manner. So it is really changing the culture of how we fly, how we operate. I think when General Spencer was in front of the committee recently, he gave an example of when he was on a C–17 and he was in the cockpit, and the crew talked about how to save fuel as they were going on their mission. So it is really about changing also the culture of our pilots.

Senator SHAHEEN. I know that the Navy has done a lot of work around biofuels. Do you share those technologies with the Air Force and the Army as you look at developing new biofuels?

Mr. NATSUHARA. Yes, all the Services now have a Deputy Assistant Secretary of Energy. So collaboratively I think they have all been working very closely together sharing information, including the biofuels initiative.

Senator SHAHEEN. Thank you.

No further questions, Senator Kaine? At this point, I do not have any other than the questions that we will submit for the record.

So thank you all very much for your testimony this afternoon and for your service to the country.

This hearing is adjourned.

[Questions for the record with answers supplied follow:]

QUESTION SUBMITTED BY SENATOR TIM KAINE

FORT MONROE-HAMPTON, VA

1. Senator KAINE. Secretary Hammack, I would like to raise an issue that is important in my State, and that is the matter of Fort Monroe, in Hampton, VA. I know you are well-versed on this issue. I am also aware there is no hard deadline or decision point that will lead to a resolution to allow all parties to move forward. I would hope all stakeholders could sit down and agree on a reasonable way forward. Will you pledge to work with the Commonwealth of Virginia and the City of Hampton to find measures that can be undertaken to bring this process to a close in a timely way?

Ms. HAMMACK. Yes, I will continue to work with the Commonwealth of Virginia and the City of Hampton regarding Fort Monroe. I am pleased to report that on

June 14, 2013 the Governor recorded a Quitclaim Deed transferring 312.75 acres of reversionary property (approximately 55 percent of the closed installation) to the Commonwealth. The Army looks forward to an appropriate ceremony to celebrate this historic milestone. The return of this property will support job creation, facilitate tourism opportunities, and provide economic benefits to the community.

QUESTION SUBMITTED BY SENATOR SAXBY CHAMBLISS

LEADERSHIP IN ENERGY AND ENVIRONMENTAL DESIGN

2. Senator CHAMBLISS. Secretary Conger, as you are aware, the Unified Facilities Criteria (UFC) released by the Department of Defense (DOD) on March 1, 2013, states that DOD components will design and build all new construction and major renovations projects with third-party certification to the U.S. Green Building Council Leadership in Energy and Environmental Design (LEED)-Silver Level (or approved equivalent rating). Singling out LEED specifically over other systems and not defining "equivalent" is, by default, a LEED preference policy. I am concerned that the LEED rating system discourages the use of domestically grown and processed wood products that are vital to rural communities all across the United States. In addition, as a recent National Research Council study found, there is no empirical evidence demonstrating the superiority of LEED-Silver over any of the other prevalent green building rating or certification systems in use. Given that, DOD should not arbitrarily select winners and losers by naming one green building standard to the exclusion of all others in its green building policy. As you develop revisions to this policy due out this summer, are you going to ensure that the new policy does not arbitrarily favor a private green building standard that hurts the domestic wood products industry?

Mr. CONGER. The UFC for High Performance Buildings published on March 1, 2013, sets standards for all new construction and major renovation that are independent of any certification system. While Chapter 5 of the UFC does reference the existing DOD policy as a tool for demonstrating compliance with some aspects of the UFC, the standard, as a whole, must not be read to construe endorsement of any particular certification system. The standards are based heavily on the American Society of Heating and Air-Conditioning Engineers sustainability standard 189.1, which is agnostic regarding certification systems and expresses no preference with regard to wood and most other building products. The revised sustainable buildings policy, currently under development, will allow DOD components to develop their own processes for demonstrating compliance with the minimum UFC standards. Those processes can include any of the third-party certification systems approved for Federal Agency use under the Department of Energy's EISA section 436 authority.

[Whereupon, at 4:14 p.m., the subcommittee adjourned.]

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