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

HEARING

BEFORE THE

COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE

ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

FEBRUARY 12, 2013

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

TUESDAY, FEBRUARY 12, 2013

U.S. SENATE,
COMMITTEE ON ARMED SERVICES,
Washington, DC.

The committee met, pursuant to notice, at 9:35 a.m. in room SD–G50, Dirksen Senate Office Building, Senator Carl Levin (chairman) presiding.

Committee members present: Senators Levin, Reed, Nelson, McCaskill, Udall, Hagan, Manchin, Shaheen, Gillibrand, Blumenthal, Donnelly, Hirono, Kaine, King, Inhofe, McCain, Sessions, Chambliss, Wicker, Ayotte, Fischer, Graham, Blunt, and Lee.

Committee staff members present: Richard D. DeBobes, staff director; and Leah C. Brewer, nominations and hearings clerk.

Majority staff members present: Jonathan D. Clark, counsel; Creighton Greene, professional staff member; Gerald J. Leeling, counsel; Peter K. Levine, general counsel; Jason W. Maroney, counsel; Roy F. Phillips, professional staff member; John H. Quirk V, professional staff member; and William K. Sutey, professional staff member.

Minority staff members present: John A. Bonsell, minority staff director; Steven M. Barney, minority counsel; Allen M. Edwards, professional staff member; Thomas W. Goffus, professional staff member; Ambrose R. Hock, professional staff member; Anthony J. Lazarski, professional staff member; Daniel A. Lerner, professional staff member; Lucian L. Niemeyer, professional staff member; and Robert M. Soofer, professional staff member.

Staff assistants present: Jennifer R. Knowles, Kathleen A. Kulenkampff, and Lauren M. Gillis.

Committee members' assistants present: Carolyn Chuhta, assistant to Senator Reed; Jeff Fatora, assistant to Senator Nelson; Jason Rauch, assistant to Senator McCaskill; Casey Howard, assistant to Senator Udall; Brian Nagle, assistant to Senator Hagan; Mara Boggs, assistant to Senator Manchin; Chad Kreikemeier, assistant to Senator Shaheen; Elana Broitman, assistant to Senator Gillibrand; Ethan Saxon, assistant to Senator Blumenthal; Marta McLellan Ross, assistant to Senator Donnelly; Karen Courington, assistant to Senator Kaine; Jim Catella, assistant to Senator King; Paul C. Hutton IV, assistant to Senator McCain; Lenwood Landrum, assistant to Senator Sessions; Todd Harmer, assistant to Senator Chambliss; Joseph Lai, assistant to Senator Wicker; Brad

Bowman, assistant to Senator Ayotte; Peter Schirtzinger, assistant to Senator Fischer; Craig Abele, assistant to Senator Graham; and Brooke Bacak, assistant to Senator Cruz.

OPENING STATEMENT OF SENATOR CARL LEVIN, CHAIRMAN

Chairman LEVIN. Good morning, everybody.

The committee meets this morning to consider the impacts of sequestration and a full-year continuing resolution (CR) on the Department of Defense (DOD).

We welcome Deputy Secretary of Defense Ash Carter and Chairman of the Joint Chiefs of Staff General Martin Dempsey, who are accompanied at the witness table by the following friends and patriots: Under Secretary Defense, Comptroller, Robert Hale; Chief of Staff of the Army, General Ray Odierno; Vice Chief of Naval Operations, Admiral Mark Ferguson; Commandant of the Marine Corps, General James Amos; Chief of Staff of the Air Force, General Mark Welsh; and Chief of the National Guard Bureau, General Frank Grass.

I would like to start by thanking all of you for your continued service to our Nation, and please convey our thanks to the soldiers, sailors, airmen, and marines at home and in harm's way around the globe. They and their families deserve our utmost support.

Some Members of Congress and commentators in the press have said that we should let sequestration go into effect, that it would be better to severely cut the budget than to work out a deficit reduction agreement that would require compromise. I could not disagree more. Sequestration is arbitrary and irrational. It will not only weaken our security but, as Secretary Panetta said: "It's not just defense, it's education, loss of teachers, it's child care. It's food safety, it's about law enforcement, it's about airport safety."

Now, if sequestration and a year-long CR go into effect, the impact on DOD will be devastating. For example, the Army requested $36.6 billion in its 2013 budget, but under the CR rules, it gets only the fiscal year 2012 amount of $30.6 billion. Sequestration would cut an additional $6 billion. Because the Army has already spent $16 billion, it would only have $8 billion left to get through the rest of the fiscal year. Moreover, unexpectedly high operational demands will require that as much as $6 billion of the remaining funds be spent on overseas operations, leaving the Army with only $2 billion for domestic operation and maintenance (O&M) during the next 7 months. It has budgeted for $20 billion. So it would have 10 percent of what it needs for O&M during the next 7 months if the year-long CR and sequestration go into effect. That is just one of hundreds of examples.

We are going to hear today that the Military Services are already taking near-term actions to mitigate the impacts of the CR and the impending sequester. For example, DOD has already instituted civilian hiring freezes, reduced or eliminated temporary and term employees, and deferred facilities maintenance and begun cancelling or postponing the maintenance of ships, aircraft, and ground vehicles. If sequestration is implemented, they will begin to implement additional actions, including furloughs for most civilian employees, cutbacks in flying hours, steaming hours, and other military training, and cancellation of contracts. In addition, hundreds

of DOD investment programs, acquisition programs and research and development projects may become literally unexecutable.

Even if many of the short-term actions are still reversible if we act promptly, they will have long-term costs, and the longer Congress postpones action, the higher those costs will be. For example, the Army informs us that if sequestration continues through the end of the fiscal year, two-thirds of its brigade combat teams will fall below acceptable readiness levels. The Air Force says it will not be able to support requirements outside of Afghanistan and will experience significant degradation in its air drop and refueling capabilities. The Navy says the USS *Nimitz* and *George H.W. Bush* carrier strike groups will not be ready for scheduled deployments later this year, resulting in an indefinite extension of the USS *Truman* and USS *Eisenhower* deployments, with the resulting impact, the negative impact, on morale and retention. By the end of the summer, DOD says it will be unable to pay its TRICARE bills and will be in a position of having to deny service to military members, families, and retirees.

Now, there are bipartisan solutions to both the CR problem and the sequester threat. We cannot afford to look the other way and pretend there is not a huge, looming problem. A year-long CR and sequestration will undermine our national defense. The danger of the international situation was highlighted again yesterday when North Korea had a very provocative nuclear test. We cannot allow these actions, a sequestration and year-long CR, to occur in the middle of this kind of a world. It will create a huge and unconscionable problem for our men and women in uniform and their families, and it is incumbent on Congress and the President to find a solution together.

Senator Inhofe and I have talked about how to work through this morning's schedule. At 11 o'clock, the Senate is currently scheduled to have perhaps four and maybe even five votes. We are going to have a very short question period after our opening statements and after our panel speaks. It is possible, at least, that we could finish by a few minutes after 11. If that does not happen, we would then adjourn for perhaps an hour, come back at perhaps 12 or so for about another hour. I hope that does not happen, but it very well may. We have a large committee and everybody here is very much interested in the solution to the sequestration and the year-long CR threat that looms before us. So that is the best we are going to be able to do this morning. It is the Senate at its full glory.

I now call upon Senator Inhofe.

STATEMENT OF SENATOR JAMES M. INHOFE

Senator INHOFE. Thank you, Mr. Chairman.

There are 16 days remaining between today and March 1, 16 days that will define our military strength for the coming decades. Just last week, the Secretary of Defense abruptly announced that he has indefinitely delayed the deployment of the Truman carrier strike group in the Middle East, denying the two carrier force presence our commander in the region has urgently requested over a long period of time.

I am going to run through this pretty quick, Mr. Chairman. Admiral Winnefeld, Vice Chairman of the Joint Chiefs, recently made

a statement. I want to make sure it gets in the record here. He said: "I know of no other time in history when we have come potentially down this far, this fast, in the defense budget. There could be, for the first time in my career, instances where we may be asked to respond to a crisis and we will have to say that we cannot do it."

The Secretary of Defense, in the hearing that took place the other day on Benghazi, made it very clear that we do not have the assets necessary to carry out some of the things to adequately protect and defend and offer security to our people. This is something that is not acceptable. This is what government is supposed to be doing.

DOD has absorbed almost $600 billion in cuts. We know all about that. With sequestration, with the CR problems that are there, we are looking at up to, over this period of 10 years, about $1 trillion in cuts and it cannot take place.

Mr. Chairman, this hearing is absolutely critical to allow the Joint Chiefs to provide their frank and honest assessment about the impact to the Services, the loss of capabilities and readiness, and the mismatch between the resources and strategy. We are going to have to work together to ensure that the American people understand how serious this is. That is the reason for this hearing today.

Last week, led by Senator Ayotte, Senators McCain, Graham, and I introduced a bill to mitigate the impact of sequestration through the end of the fiscal year and provide DOD with the flexibility it desperately needs to operate under the CR. It is not a perfect solution, but it is better than doing nothing.

There is a growing concern that the President will not seriously negotiate with Congress on a compromise to sequestration until after it takes place on March 1st, and each Member of Congress hears of the pain affecting their constituents. But the real pain will be felt by the men and women serving our country who will see the resources they need to defend the Nation arbitrarily.

That is what this hearing is all about. I will have questions, and one of them is going to be specifically—and I hope that you will be covering this request—not to hold back to show how tragic this is, show what increased risk, which is increased loss of lives, is going to result from this. That is what we expect in this hearing.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you very much, Senator Inhofe.

Secretary Carter?

STATEMENT OF HON. ASHTON B. CARTER, DEPUTY SECRETARY OF DEFENSE; ACCOMPANIED BY HON. ROBERT F. HALE, UNDER SECRETARY OF DEFENSE (COMPTROLLER)

Dr. CARTER. Thank you, Mr. Chairman, Senator Inhofe, all the members of the committee. I am going to be very brief because I think what you would like to get to and we would like to get to is the specifics of the impacts of these two budget circumstances that we face, first of all, sequestration, and the second, the possibility of the CR going on for the entire year.

I thank you for this hearing, and I mean that from the bottom of my heart. We welcome an opportunity to describe these impacts.

Secretary Panetta and I have been using the word "devastating" for 16 months now, and I testified last August to the consequences of sequestration if it was to occur. Now the wolf is at the door.

You who know us, who understand us, and know national security inside and out by virtue of your service on this committee, are critical because I am hoping that when we describe what the consequences of these things are for national defense as we see it and give you the information that you need, that you can, in turn, communicate to your colleagues in Congress and that we can move in the direction of the comprehensive solution to both these problems that you referenced.

To Senator Inhofe, absolutely we will provide that information. We are still—and we will continue to be for some months—working through the managerial consequences of this situation, and as we do, we will provide to this committee as complete information as we have, organized in any way you want. Today is a start in that regard.

The problem comes in two tiers. The first is that sequestration, which is scheduled to kick in just 2 weeks from now, requires us to subtract from our budget for the remainder of fiscal year 2013 $46 billion, and as the chairman indicated, to do it in a way, the worst way managerially, namely, to take equal shares or proportionate shares from each and every part of the budget, which is obviously not what you would do if you were trying to be sensible from a managerial point of view.

Second, the CR that we are operating under now, going into 5 to 6 months, creates a different kind of problem for us. It has enough money in it overall, but as you indicated, Mr. Chairman, it does not have enough operations and maintenance money. You put those two things together and in this year there is a drastic shortfall in the funding that we need to do training. Training, in turn, impacts readiness, and readiness is our capacity to fight in other places in Afghanistan. We are protecting funding for Afghanistan.

Under sequester, the President has decided to exempt military personnel from sequestration, and we have made some other limitations. In my direction to the Department, I have made some other limitations. We will protect wounded warrior programs. In addition to the wars, we will protect urgent operational needs. We will protect, to the extent we can, capabilities that are critical to our new defense strategy. But the reality is we cannot protect much of which is now of value to the country.

So in the near term, what you have this year in the next few months is a true crisis in military readiness. If the caps imposed that accompany sequester are continued for the next 10 years, as is the plan in the Budget Control Act (BCA), we are going to have to change our national defense strategy. Those cuts are too large, too sustained for us to implement the strategy that we crafted under the President's guidance just 1 year ago.

I understand, Mr. Chairman—and I have long understood—that DOD must contribute to the resolution of the Nation's fiscal situation, and that is why we have accommodated $487 billion in cuts last year and before that, under Secretary Gates, made several

hundred billion dollars of additional cuts in defense spending largely by removing unneeded or under-performing programs.

We are also making, as you referenced Admiral Winnefeld as having said, an historic adjustment associated with the winding down of a decade dominated by the wars in Iraq and Afghanistan. We are making that adjustment as well.

I also understand that the taxpayer deserves careful use of every dollar we do get, and that is why we have striven and we will continue to strive to get better buying power for the defense dollar and reform the acquisition system. But both the strategic approach to deficit reduction and efficient use of defense dollars will be undermined by sequestration.

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

For our troops, for the force, the consequences are very real and very personal. I will give you a few examples. I told you that the President intends to spare military personnel spending from sequestration. But the troops will feel the effects of this very directly in other ways. For example, you referenced the cancellation of a carrier deployment. We had to do that because we had to recognize that we were going to run out of operations and maintenance funds in the Navy later in the year, and we made the decision to not deploy the carrier but instead keep it here in the United States so that we would have the capacity to deploy it later if we needed it. If we deploy it now, we would not have the capacity to have a carrier deployed there in the future. We had to make that decision. All of the sailors on that aircraft carrier were ready to go. Their families were ready to go. They had made plans for where they were going to live, for family care, schools, all those things that go with sending a loved one on a deployment. All that needed to change within a few days.

Army units that are coming down—I visit them around the country—coming back from Afghanistan are used to being at the highest state of readiness, being trained and ready. What motivates them—what should motivate them is mission. By the end of the year—and I think General Odierno will detail this—they will not be training in the way that their profession requires them to. So it will have a big effect on our uniformed people.

For our much maligned civilians, a lot of people think that DOD civilians are people who live in the Washington suburbs and get up in the morning and come in and go to work in an office building here. They are not. They are mostly people at depots and shipyards that are fixing our equipment. 44 percent of them are veterans. 86 percent of them do not even live in the Washington area. Later in the year in just 2 weeks' time, we are going to have to institute

a process of furloughing them, which we will do consistent with the law and our requirements to you. But the net of it is that many of them will be furloughed for as many as 22 days before April 1st, say, and the end of the year; in other words, a fifth of their paycheck gone. That is a real human impact.

I cannot be furloughed under the law because I am a presidential appointee, but I am going to give back a fifth of my salary in the last 7 months of the year if other people in the Department are getting sequestered. So there is a real human impact here.

The last impact I would like to call to your attention is that on our defense industry. We depend on our defense industry because it, second only to the magnificent people we have in uniform, is what makes our military great. The effects of sequestration are going to be very significant on the defense industry, and we see it already. We depend upon them to be able to attract and retain science and technology talent. We need them to be financially successful. But many of our industry partners are beginning now to curb internal investment, maintain a very liquid position. The effects of this uncertainty are beginning to show up in terms of investor confidence in our industry, their ability to attract and retain workers, and the requirement to stretch programs, reduce buy rates. And all of that introduces the inefficiency into our procurement system.

So for the force, military, civilian, and industry, the consequences are very direct and very devastating.

I would just close with an appeal that I would ask you to convey to your colleagues in Congress. We need to deal very quickly and broadly with our deficit problems in a balanced way that the President can support and Congress can support. We need to detrigger sequestration. We need to pass appropriations bills for all our Federal agencies for that matter.

I understand that there is probably not enough time to accomplish all of these far-reaching actions before sequestration is triggered on March 1st, but I would urge at least that Congress delay sequestration.

But as I emphasized, the cloud of uncertainty hanging over our Nation's defense affairs is already having lasting and irreversible effects, and ultimately the cloud of sequestration needs to be dispelled and not just moved to the horizon. However this is done, the magnificent men and women of DOD and their families deserve no less. They need to know with certainty that we will meet our commitments to them.

Our partners in the defense industry and their employees need to know that we are going to have the resources to procure the world-class capabilities they can provide and that we can do so efficiently.

Perhaps most important, allies, partners, friends, and potential foes the world over need to know that we have the political will to implement the defense strategy we have put forward.

Thank you.

[The prepared statement of Mr. Carter follows:]

PREPARED STATEMENT BY HON. ASHTON B. CARTER

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

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

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

I have long understood that DOD must contribute to the resolution of the Nation's fiscal situation. That is why we already accommodated $487 billion in budget reductions versus the fiscal year 2012 President's budget, and managed to do so in a manner consistent with our new defense strategy for the new era that America is entering. This $487 billion reduction, now even larger, was on top of budget reductions that began under Secretary Gates, when we cancelled many unneeded and poorly performing defense programs.

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

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

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

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

This is why I continue to urge Congress, in the strongest possible terms, to avoid sequestration by devising a comprehensive and balanced deficit reduction package that both the House and Senate can pass and that the President can sign. I also strongly urge Congress to pass fiscal year 2013 appropriation bills for all Federal agencies, including DOD.

HOW SEQUESTRATION WOULD WORK

The American Taxpayer Relief Act of 2012 changed the dates and size of sequestration. The sequestration will now begin for the Department in about 2 weeks, on March 1, 2013; in addition, a second sequestration due to a breach in the discretionary spending caps for fiscal year 2013 is scheduled to be implemented on March 27. Simply put, the combined effects of these two sequestrations will require the Department to cut roughly $46 billion from the annualized level of funding provided on the fiscal year 2013 CR, all in the last 7 months of the fiscal year.

Sequestration cuts would apply to all of the DOD budget, including the wartime or Overseas Contingency Operations (OCO) portions, with only one significant exception. Exercising his statutory authority, the President indicated his intent to exempt all military personnel funding from sequestration. While I support the President's decision to protect our military personnel from sequestration, as a result, other DOD budget accounts must be cut by larger amounts to offset this exemption. We estimate that all other accounts would be reduced by roughly 8 percent by the March 1 sequestration order, and by a total of about 9 percent if both March 1 and

March 27 sequestration orders occur. (The Office of Management and Budget would eventually calculate the precise sequester percentage and provide it in the sequestration order.)

In addition to requiring a large and sudden reduction in defense spending for fiscal year 2013, the law requires that those reductions be accomplished in a rigid, across-the-board manner—account by account, and item by item. Cuts to the operating portions of the DOD budget must be equal in percentage terms at the level of appropriations accounts. (Examples of appropriations accounts in the operating budget include Army active operation and maintenance, Navy Reserve operation and maintenance, and Air Force Guard operation and maintenance.) For the investment portions of the budget, the dollar cuts must be allocated proportionally at a line item level of detail. More than 2,500 programs or projects are separately identified as line items and would be reduced by the same percentage. Within each operating account or investment line item, managers could decide how best to allocate the reductions.

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

WHAT SEQUESTRATION MEANS

If sequestration is triggered, we will be required to make cuts of $46 billion from virtually every category of the budget, except for military personnel. Moreover, these cuts must be accommodated in the last 7 months of fiscal year 2013. The impact of these cuts will be compounded by the misallocation of funding under the CR.

The combined effects of sequestration and the CR will be especially problematic for the Operation and Maintenance accounts, which most affect military readiness. So allow me to focus on O&M, and in particular on the O&M in the base budget for Active Forces, since this portion will be heavily impacted. As part of the overall cut of the $46 billion cut caused by the two sequestrations, these O&M accounts will be reduced by $13 billion from the annualized CR level. We must obviously protect the O&M dollars for our men and women in combat, which under sequestration rules we can only do by cutting base-budget O&M disproportionately—this results in an additional shortfall of $5 billion in active base-budget dollars.

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

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

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

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

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

Because the prospect of these developments is now all too real, and because the time in the fiscal year to absorb them is slipping away, on January 10 I authorized all Defense components to begin taking immediate actions to slow spending in order to prevent even more dire consequences later in the year. I directed each of the Defense component heads to report back to me by February 1 with a list of proposed actions and an implementation plan. I subjected the plans to three ground rules: first, protect wartime operations, urgent operational procurement needs, and wounded warrior programs; second, protect, whenever possible, key features of the

new defense strategy and acquisition efficiencies; and third, ensure, to the extent feasible, that these near-term actions are reversible if action is taken to formulate a balanced deficit reduction deal that averts these developments.

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

1. Most Services and defense agencies will institute civilian hiring freezes, with exceptions for mission-critical activities. DOD hires between 1,500 and 2,000 people per week. It is important to note that this freeze will disproportionately affect veterans, who make up 44 percent of the DOD civilian workforce. Hiring freezes will also be felt across the Nation, since 86 percent of DOD's civilian jobs fall outside the Washington, DC, metro area.
2. Most Services and defense agencies will begin laying off a significant portion of our 46,000 temporary and term employees, again with exceptions for mission-critical activities.
3. Most Services and defense agencies will curtail facilities maintenance. More than $10 billion in funding—mostly to contractors and small businesses—would be affected, translating into lost jobs in the private sector. The Air Force, for example, plans to cut facilities maintenance projects by about half, including cuts to 189 projects at 55 installations in 26 States.
4. As of March 1, Services will begin cancelling ship and aircraft maintenance work for the third and fourth quarters. It is estimated that about 25 ships and 470 aircraft will be affected unless we can reverse these actions.
5. The Army and other Services are curtailing training not directly related to missions.
6. The Army has directed a reduction of 30 percent in base operating services relative to fiscal year 2012 levels and other Services are also limiting base support.

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

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

1. All the Services and agencies are likely to have to furlough most DOD civilian employees for an average of 1 day per week for up to 22 weeks. This action will seriously harm our ability to do important work, which will, in turn, harm national security: civilians fix our ships and tanks and planes, staff our hospitals, handle contracting and financial management, and much more. During this period, furloughs will result in a 20 percent cut in pay for civilians who support our national defense—which will affect their morale. Senate-confirmed political appointees like me cannot be furloughed under the law. But if our employees are furloughed, I intend to give back to the Treasury the same portion of my salary, and I encourage all of us—executive branch and legislative branch—to do the same. In addition, these furloughs, like other spending cuts, will adversely affect economies in the communities where our civilians live and work. Savings from furloughs will be critical to meeting budgetary cuts by the end of the year. However, it is important to note that even if all 800,000 civilian DOD employees are furloughed to the maximum extent permitted by law, the savings of $4 billion to $5 billion will still leave us $41 billion short of our $46 billion total target. Thus, much more cutting of DOD spending will result, affecting many defense workers who are not direct DOD employees.
2. The Army will curtail training and reduce maintenance for units that are not scheduled to deploy to Afghanistan. This could put readiness for future contingency operations elsewhere at risk. By year end, about two-thirds of Active and most Reserve Brigade Combat Teams (excluding those in Operation Enduring Freedom) will be at reduced readiness levels. As part of accommodating sequester cuts, the Army may have to cancel up to five full-spectrum training rotations at its premier training centers.

3. The Air Force will be forced to cut flying hours sharply and will reduce remaining weapon system sustainment funding by about 30 percent. Current planning suggests that most flying units (especially later-deploying units) will be below acceptable readiness standards by the end of fiscal year 2013. As a result, the Air Force will be substantially less able to respond on short notice to contingencies, which is one of their key missions.
4. The Navy and Marine Corps will be forced to cut back on readiness and fleet operations. That could include a reduction of one-third in operations of Navy ships and aircraft in the Asia-Pacific region and gaps in availability of Marine Amphibious Ready Groups.
5. DOD would be short between $2 billion and $3 billion in funds needed to pay for costs in the Defense Health Program. If we protect the operations of our in military treatment facilities, in order to maintain health readiness for Active-Duty Forces, then it is possible that DOD might not have enough funds to pay TRICARE bills toward the end of the fiscal year.
6. DOD will have to make cuts of roughly 9 percent in each of more than 2,500 investment line items. These cuts will disrupt programs, add to unit costs, and damage the defense industry.

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

LONGER-TERM EFFECTS OF SEQUESTRATION AND REDUCTIONS IN DISCRETIONARY CAPS

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

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

The new strategy has five pillars:

- First, we said that our force has to be leaner, but also agile, ready, and technologically advanced. In other words, we wanted to absorb the lessons we learned over the last decade of war—the lessons of counterinsurgency, improvised explosive devices, rotational presence intelligence and operational integration, adaptability—and apply them to the challenges of the future to create a new post-Iraq and Afghanistan concept of readiness for each of our Services.
- Second, we said that we would continue our focus on the Middle East, which will remain an enduring commitment of the United States, but also execute our so-called rebalance to the Asia-Pacific region, where so much of our future security and economic interests lie.
- Third, we said we would strengthen our global alliances and partnerships to achieve shared objectives and to build the capacity of our security partners.
- Fourth, we said we would ensure that the U.S. military remains capable of confronting aggression and defeating any opponent anywhere, anytime.
- Fifth, we said we would continue to invest, even in hard budgetary times, in future-focused capabilities and technologies, like cyber and space, as well as special operations.

If the budget cuts described were sustained for the full 9 years, we would need to make substantial changes to our strategy that will directly diminish our military strength. Large reductions in force structure would almost certainly be necessary. These force structure changes would not happen instantly; in order to meet the new budget levels, we would almost certainly be forced to gut our acquisition programs in the near-term. This would cancel or significantly delay most of our major modernization programs until after the force reductions are achieved years from now. On top of this, we would have little choice but to reduce military compensation and reduce civilian personnel costs.

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

Just as sequestration and the reductions in the discretionary caps will have devastating effects on the Nation's defense force, it will also be harmful to the defense industry upon which we depend. The quality of the weapons systems produced by our defense industry is second only to the quality of our people in uniform in making our military the greatest in the world. As such, a technologically vibrant and financially successful defense industry is in the national interest. The act of sequestration and longer-term budget cuts, and even the prolongation of uncertainty, will limit capital market confidence in the defense industry, and companies may be less willing to make internal investments in their defense portfolio. The impact will be even greater on our subcontractors, who lack the capital structure to withstand turmoil and uncertainty. Of note, 60 to 70 percent of our defense dollars are subcontracted, and many of our subcontractors are small businesses. Above all, sequester will cause a spike in program inefficiency by stretching out programs and driving up unit costs.

Already, we saw the threat of sequestration drag on GDP growth in the fourth quarter of 2012, and consumer confidence took a hit over 2 months through January. According to private sector and CBO forecasts, sequestration impacts could reduce GDP growth in 2013 by over half a percentage point. That lost growth would deprive American workers of hundreds of thousands of jobs.

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

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

SEQUESTRATION MUST BE AVOIDED

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

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

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

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

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

Chairman LEVIN. Thank you, Secretary Carter.

General Dempsey.

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

General DEMPSEY. Thanks, Mr. Chairman, Senator Inhofe, distinguished members. Thanks so much for holding this hearing on such an important readiness matter.

If sequestration occurs, it will severely limit our ability to implement our defense strategy. It will put the Nation at greater risk of coercion, and it will break faith with the men and women in uniform. We have and will continue to be part of the Nation's economic recovery. We are committed to remaining responsible stewards of the Nation's treasures as we work to build an affordable and unrivaled joint force for 2020.

To do this, we need budget certainty. That is, we need the antithesis of sequestration: a steady, predictable funding stream.

We also need the time to implement reductions in a responsible manner over a manageable timeline.

Finally, we need the flexibility to transfer and reprogram money to our highest priorities. Readiness loses when major portions of the budget are untouchable. Everything needs to be on the table.

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

When I testified before this committee last year, I said that if we fail to step off properly on this budget, we will reduce our options and, in so doing, increase our risk. Our military power will be less credible because it will be less sustainable. Now we are only a few days away from making that a reality.

We can do better. Our Nation, our servicemembers, and their families expect us to do better. More importantly, a turbulent world that relies on American leadership demands that we do better.

Thank you.

[The prepared statement of General Dempsey follows:]

PREPARED STATEMENT BY GEN MARTIN E. DEMPSEY, USA

Chairman Levin, Senator Inhofe, distinguished members of the committee, thank you for this opportunity to address the impacts of the current budget uncertainty on our force.

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

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

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

coercion; and it will break faith with the men and women who serve this nation in uniform.

Approximately one third of these cuts would come from our force structure. The other two-thirds of the reductions would occur in our modernization, compensation, and readiness accounts. We will have much less of everything and therefore be able to provide fewer options to our Nation's leaders.

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

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

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

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

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

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

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

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

Chairman LEVIN. Thank you very much, General Dempsey.

Secretary Hale, do you have anything at this point? Okay, thank you.

General Odierno.

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

General ODIERNO. Thank you, Mr. Chairman, Ranking Member Inhofe, and other distinguished members.

Nearly 18 months ago, you charged me with leading our Army and providing you with my best military advice. Over the course of my 36-year career, I have commanded at every level, including division, corps, and theater command in combat. I know what it takes to prepare this Nation's sons and daughters for war. I know

what it takes to grow leaders in our Army. I know what is required to send soldiers into combat, and I have seen firsthand the consequences when they are sent unprepared. I began my career in a hollow Army. I do not want to end my career in a hollow Army.

Today the global environment is the most uncertain I have seen in my 36 years of service. It is unpredictable and dynamic. We simply do not know when we will have to deploy soldiers to fight again. But history tells us that we will. We owe it to them to ensure they have the proper resources to be ready when needed.

The fiscal outlook which the U.S. Army faces in fiscal year 2013 is dire and, to my knowledge, unprecedented. In addition to the $170 billion in cuts to the Army levied by the BCA of 2011, the combination of the CR, a shortfall in overseas contingency operation funds for Afghanistan, and the sequester in fiscal year 2013 has resulted in a $17 billion to $18 billion shortfall to the Army's O&M accounts, as well as an additional $6 billion cut to other programs. All of this will come in the remaining 7 months of this year.

The fiscal year 2013 fiscal situation will have grave and immediate readiness impacts on all forces not serving in Afghanistan or forward in Korea, impacts which will have a significant impact well into fiscal year 2014 and beyond. Just a few of the actions we will be forced to take are, for example: we will curtail training for 80 percent of ground forces. This will impact our units' basic warfighting skills and to do shortfalls across critical specialties, including aviation, intelligence, engineering, and even our ability to recruit soldiers into our Army.

We have directed an immediate Army-wide hiring freeze, and we will terminate an estimated 3,100 temporary and term employees.

We will furlough up to 251,000 civilians for up to 22 days.

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

For fiscal year 2014 and beyond, sequestration will result in the loss of at least an additional 100,000 personnel, soldiers from the Active Army, the Army National Guard, and the U.S. Army Reserve. Combined with previous cuts, this will result in a total reduction of at least 189,000 personnel from the force, but probably even more than that. These reductions will impact every Army base and every installation in the Army.

Sequestration will result in delays to every 1 of our 10 major modernization programs, the inability to reset our equipment after 12 years of war, and unacceptable reductions in unit and individual training. These cuts will be felt across the entire country.

Since 2008, the total Army budget will have been reduced by 37 percent. If sequestration is enacted, it will be greater than 45 percent.

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

I understand the seriousness of our country's fiscal situation. We have and we will continue to do our part, but the significance of

these budget reductions will directly impact our ability to sustain readiness today and into the future. We simply cannot take the readiness of our force for granted. If we do not have the resources to train and equip the force, our soldiers, our young men and women, are the ones who will pay the price potentially with their lives. It is our responsibility, DOD and Congress, to ensure that we never send soldiers into harm's way that are not trained, equipped, well-led, and ready for any contingency, to include war. We must come up with a better solution.

Thank you so much for allowing me to testify in front of you today.

[The prepared statement of General Odierno follows:]

PREPARED STATEMENT BY GEN RAYMOND T. ODIERNO, USA

The fiscal outlook which the U.S. Army faces today is dire and, to our knowledge, unprecedented. The Army has been in a state of continuous war for nearly 12 years—the longest in our Nation's history. Today we have more than 81,000 soldiers committed to operations around the world with approximately 58,000 in Afghanistan. Nearly 1.5 million soldiers have deployed and more than half a million have deployed multiple times, some as many as four, five, and six times. More than 4,800 soldiers have given their lives on behalf of this Nation.

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

Before I describe the challenges we face this fiscal year, let me remind the committee of the actions we are taking to comply with the Budget Control Act of 2011. This act required $487 billion in cuts over 10 years across the Department of Defense (DOD), of which the Army's share is estimated to be $170 billion. As a result of these cuts, the Army is reducing the active duty end strength from a wartime high of about 570,000 to 490,000, the Army National Guard from 358,000 to 350,000, the U.S. Army Reserve from 206,000 to 205,000, and the civilian workforce from 272,000 to 255,000 by the end of fiscal year 2017. This is a net loss of 106,000 soldier and civilian positions. By fiscal year 2017, we will downsize our Active component force structure from 45 Brigade Combat Teams to potentially as low as 32. On January 18th, we released a Programmatic Environmental Assessment describing the impact of potential force structure reductions across the Army. We began these force reductions in fiscal year 2012 focused initially on our overseas formations. In 2014, however, we will begin significant force reductions in the United States.

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

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

The fiscal crisis we now face is due in part to the fundamental lack of predictability in the budget cycle. Since fiscal year 2011, DOD has operated under a continuing resolution for 14 of the last 28 months. Each continuing resolution prevents new starts for needed programs, limits reprogramming actions, creates inefficiency, and often results in wasteful funding for accounts that we no longer want or need. This uncertainty creates challenges in projecting future funding requirements that inform our annual budgets over time. The lack of predictability has been exacerbated by the threat of sequestration for the past year and a half. In fiscal year 2013, we now find ourselves in the midst of a perfect storm created by a continuing resolution, a shortfall in funds for overseas contingency operations, and the threat of sequestration. If not addressed, the current fiscal uncertainty will significantly and rapidly degrade Army readiness for the next 5 to 10 years.

The fiscal year 2013 continuing resolution has funded the Army's base budget at fiscal year 2012 levels, resulting in a shortfall of more than $6 billion in the Operation and Maintenance, Army (OMA) accounts relative to the President's budget. Unless DOD is given sufficient authorities that will allow the Army to reprogram the necessary funds across appropriations, this shortfall will impact readiness.

Under the continuing resolution, we also face an approximate $5 to $6 billion shortfall in OMA Overseas Contingency Operations (OCO) funding for fiscal year 2013 because of costs related to the war in Afghanistan. This impacts the preparation of units about to deploy, current operations in support of Operation Enduring Freedom (OEF), and our ability to reset equipment and personnel. In order to ensure our soldiers are prepared, we have committed and will continue to commit 100 percent of our operation and maintenance requirements for OEF. However, this exacerbates the funding shortfalls for the rest of the Army that is not deploying to Afghanistan, creating unacceptable readiness for the future.

In addition to the impacts that the continuing resolution and OCO shortfalls are having on the force, a sequestration order is scheduled to be issued on March 1, and a second sequestration order due to the breach in the fiscal year 2013 discretionary caps is scheduled to be implemented on March 27. Using DOD planning assumptions for sequester, we estimate that sequestration will impose an additional $12 billion cut on the Army's budget in the remaining months of fiscal year 2013, to include a $5 billion cut in OMA, and approximately $1 billion in the Reserve component operation and maintenance accounts. The remaining $6 billion will be taken across the board from our procurement; research, development, test, and evaluation; and military construction accounts.

While budgetary uncertainty negatively affects each of the Army's operating and investment accounts, our OMA account is the most heavily burdened. Together, the continuing resolution, OCO shortfall, and sequestration will equate to $18 billion in shortfalls to the OMA account in the final 7 months of fiscal year 2013.

As always, our priority will be to ensure that all soldiers in Afghanistan and those next to deploy are prepared and ready. We will ensure that the Forces in Korea are properly equipped and ready. We will continue to fund all programs related to Wounded Warrior care. Then we will determine if we have sufficient funds to continue training the Division-Ready Brigade at Fort Bragg—the Army's Global Response Force. These priority efforts will consume 43 percent of our OMA but are applied to only 22 percent of the force. Therefore, the remaining 78 percent of the force will have to absorb the $18 billion in shortfalls out of the remaining 57 percent of the OMA budget. What that means is that the 78 percent of the force—more than three-quarters of the Army not in Afghanistan or Korea or deploying this year—will significantly curtail training today. Even with training and sustainment spending curtailed, we expect our accounts to be exhausted by July. The impact will translate into significant readiness issues through fiscal year 2014 and beyond, and put at risk our ability to deploy forces to meet all contingency operations.

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

- We are terminating an estimated 3,100 temporary and term employees and have directed an immediate Army-wide hiring freeze. These employees typically fill gaps in our installation services such as Army substance abuse programs, law enforcement, physical security, public works, and installation education programs.
- We have initiated planning to furlough up to 251,000 civilians for 1 day a week for 22 weeks, in full recognition of the risks of decreased productivity, morale, and the loss of 20 percent of their pay while furloughed. In addition to the hardship this poses to our dedicated workforce, this furlough will have an immediate trickle-down effect as the majority of these civilians are located throughout the United States on our posts and stations, and their spending directly impacts local economies and contributes towards State and local taxes. Any furlough would have an immediate impact on fire and emergency services, law enforcement, airfield operations, and all of our Army family programs.
- We are making plans to cancel third and fourth quarter depot maintenance. As a result, we are terminating employment of an estimated 5,000 temporary, term, contractor, and permanent employees due to the reduced Depot Maintenance workload. We will reduce Army purchase orders with 3,000 companies, of which 37 percent, or approximately 1,100, may consequently face moderate to high risk for bankruptcy. The reduction in maintenance will delay equipment readiness for six Divisions (3rd Infantry Division [Georgia], 4th Infantry Division [Colorado], 10th Mountain Division

[Louisiana and New York], 25th Infantry Division [Alaska and Hawaii], 101st Airborne Division (Air Assault) [Kentucky] and 82d Airborne Division [North Carolina]). These delays will halt the reset of 1,000 Tactical Wheeled vehicles, 14,000 communication devices and 17,000 weapons in Active and Reserve units for 3 to 4 years following redeployment.

• We will cancel all but one of the Brigade Maneuver Combat Training Center (CTC) rotations for nondeploying units. Our inability to train nondeploying units will degrade our units' readiness posture and inhibit the progressive build of unit capability to meet early fiscal year 2014 missions, emergent requirements, and timelines associated with combatant commanders' war plans.

• We are reducing institutional training across the Army. This will result in a backlog across our education and individual training courses well into fiscal year 2014 and shortfalls in critical specialties.

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

We will cut 37,000 flying hours from our aviation training at Fort Rucker, which will create a shortfall of over 500 aviators by the end of fiscal year 2013 and will create a backlog at flight school that will take over 2 years to reduce. We are curtailing 16 military intelligence training courses, resulting in over 4,000 fewer soldiers with the intelligence skills the Army requires. At Fort Sill, we will have to cancel 15 Field Artillery Advanced Individual Training courses. Soldier training for recruiting duties will be curtailed in March resulting in over 900 untrained recruiters.

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

We are cancelling attendance at some of our mid-career officer and noncommissioned officer training programs across the Total Army including the Captains Career Common Core Course, Intermediate Level Education, and Noncommissioned Officer Education System (NCOES) common core. This will add to the already tremendous backlog of midgrade officer and NCO education that has built up during the almost 12 years of war.

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

• We are in the process of reducing our base sustainment funds by $2 billion in fiscal year 2013, a 70 percent drop from what has been historically required to run our installations. This means even bare minimum maintenance cannot be sustained. In the event of water main breaks, clogged sewage, water damage, or power failure, there will not be adequate funding to repair these facilities, which would likely result in closure and personnel relocation. This also translates into an estimated 100,000 facility work orders per month that will not be executed, which places the Army on an accelerated slippery slope where our buildings will fail faster than we can fix them.

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

• We have initiated an Army-wide service contract review to identify savings and we are taking action to potentially terminate all non-essential contracts in coordination with our commands. These contracts support a myriad of programs, including facility maintenance, education and training, medical support, and equipment and provide thousands of jobs across our Army installations. Many of these contracts provide direct support to our soldiers, civilians, and their families, and their cancellation will cause backlogs in services rendered at our hospitals, our education centers, our schools, and our child development centers. Once a contract is terminated, it takes at least 150 days to restart a cancelled program, increasing the workload on an already taxed acquisition workforce, and increasing costs of the program in the short term.

• Our National Guard and Reserve will experience cuts of 22 percent and 50 percent respectively in their medical readiness accounts. For example, we have cancelled pre-mobilization medical support for nearly 200,000 Army National Guard and U.S. Army Reserve soldiers, which will degrade Reserve unit readiness and increase post-mobilization training costs.

• We will curtail Operational Test and Evaluation operations affecting program of record development and fielding schedules which will add costly delays to critical acquisition programs and the fielding of equipment to soldiers. Particularly in the areas of networking capability and precision munitions, we will experience delays in key network programs such as the Warfighter Information Network-Tactical (WIN–T) and the Joint Battle Command-Platform (JBC–P).

• We are reducing our Science and Technology (S&T) programs by approximately $300 million. We anticipate making reductions to our Federal civilian employees and support contractors, and reducing programs with our academic and industry partners across all 50 States and the District of Columbia. The Assistant Secretary of the Army (Acquisition, Logistics, and Technology) (ASA(ALT)) provided an assessment to the Assistant Secretary of Defense (Research and Engineering) on 1 February 2013 detailing the impact to DOD research priorities.

In addition to impact of sequestration for fiscal year 2013, the lowering of discretionary caps for fiscal year 2014–fiscal year 2021 will have long-term impacts that extend beyond the current fiscal year. In order to maintain a balance between end strength, readiness and modernization, the Army will have to reduce additional 100,000 personnel across the Active Army, Army National Guard and U.S. Army Reserve. This will generate a total reduction of approximately 189,000 personnel in the coming years.

We succeeded in recent years to bring personnel readiness in the Army National Guard and U.S. Army Reserve from 40 percent up to 70 percent; that readiness will rapidly drop, and indeed the degradation has already begun. Let me emphasize that these readiness issues are not limited to the Active component. They will hit the Total Army. In fact, the reduction in overseas deployments which has sustained our Reserve readiness over the past 12 years may result in us being unable to maintain our operational reserve.

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

The losses in training and readiness we accrue in fiscal year 2013 mean that we start fiscal year 2014 already at a marked disadvantage. One of the primary challenges we face over the next 5 years is to re-orient our force to the broader array of missions we may face in the years ahead, whether it be weapons of mass destruction recovery, cyber operations, support to civilian authorities, or high-intensity combat. To get our leaders and their formations to the state of preparedness we need, we must train hard on a wide number of tasks at our home station and at our combat training centers. Many of our leaders and their units will be conducting these tasks for the first time, meaning that we actually need to invest in longer periods of training to achieve proficiency. Sequestration will place in jeopardy our ability to achieve this readiness, so we will have to fundamentally reconsider whether the Army has the ability to meet combatant commander requirements.

The long-term nature of sequestration puts every one of the Army's 10 major investment priorities in jeopardy including vital network, combat vehicle and aviation modernization programs. The industrial base assorted with supporting the Army is

also likely to make cost-benefit decisions about where best to be competitive, with the attendant decline in developing and producing the equipment our soldiers need. We will also be finalizing the withdrawal of the bulk of our equipment from Afghanistan, which, along with equipment still being reset from Iraq, will require additional investment to return to full use.

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

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

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

We have a talented, committed, experienced, well-led, and professional force. Our Army has performed its missions in Iraq and Afghanistan with great proficiency, professionalism, and courage. We cannot take the readiness of our force for granted. We cannot send our soldiers into combat unprepared. If we don't have the resources to ensure their readiness, our soldiers will be the ones who pay the price. It is incomprehensible to me that we will put this burden on the shoulders of those who have sacrificed so much during nearly 12 years at war.

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

The strength of our Nation is our Army
The strength of our Army is our soldiers
The strength of our soldiers is our families.
This is what makes us Army Strong!

I look forward to your questions.

Chairman LEVIN. Thank you so much, General Odierno.

Now Admiral Ferguson.

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

Admiral FERGUSON. Chairman Levin, Senator Inhofe, and distinguished members of the committee, thank you for the opportunity to testify on this important issue.

Simply stated, the combined effect of a year-long CR and sequestration will reduce our Navy's overseas presence and adversely impact the material readiness and proficiency of our force, thus limiting the President's options in time of crisis.

Of equal concern, we will irreversibly damage the industrial base that we depend upon to build and maintain our ships and aircraft.

Under these circumstances, we assess your Navy will be limited in its ability to provide the capability and capacity called for in the current defense strategy. The Navy will be unable to execute all the naval force requirements of the combatant commanders.

The impact of the CR is already being felt across the force. We will reduce our operations and maintenance spending by $4.6 billion over the remainder of the fiscal year as we defer maintenance,

execute a hiring freeze, and reduce operations and base support. Because we are operating under a CR, we also do not have congressional authority to initiate new programs or adjust funding for ongoing programs. Over $5 billion in planned fiscal year 2013 investments are affected.

For example, we will be compelled to delay the start of construction of USS *John F. Kennedy* (CVN 79); the completion of USS *America* (LHA 6); as well as cancel procurement of an *Arleigh Burke*-class destroyer and hundreds of weapons. Without congressional authority, the carrier USS *Abraham Lincoln* must remain moored at Naval Station Norfolk rather than start her overhaul, and we will not be able to complete the current overhaul of the USS *Theodore Roosevelt*.

These debilitating effects will be compounded by the devastation of sequestration, should it execute in its present form on March 1st. On that date, the Navy will face an additional reduction in this fiscal year of $4 billion to our O&M account, and a reduction of over $7 billion to our investment accounts. The immediate impact will be to our fleet operations and depot maintenance. We anticipate reducing flight operations and underway days for our deployed forces, cancelling deployments, deferring more maintenance on ships and aircraft, suspending most nondeployed operations, such as training and certifications, along with other cost-cutting measures. We will immediately begin to erode the readiness of the force.

Over the long term, the discretionary budget caps under sequestration will fundamentally change our Navy. We will be compelled to reduce our force structure, end strength, and investments as we lower funding levels and the altered landscape of our industrial base.

Like many Americans, our sailors, civilians, and their families are experiencing increased anxiety as a result of this fiscal uncertainty such as the *Truman* strike group that you alluded to, Senator. We must be mindful of the corrosive effect of this uncertainty on the morale of our people and be vigilant regarding the potential effects of sequestration on the propensity of our force to stay with us, and of new recruits to join. Accordingly, we will make every effort to sustain family and sailor support programs.

We ask that Congress act quickly to reduce the magnitude of these reductions and replace the mechanism of sequestration with a coherent approach that addresses our national security interests.

Additionally, we request that Congress enact a fiscal year 2013 appropriations bill or other legislation that provides appropriate authorities for new starts and transfer authority between our accounts to address our immediate shortfalls.

We look forward to working with Congress to resolve this fiscal uncertainty, and we must ensure that our Navy remains ready and capable to protect our Nation's security and prosperity.

I appreciate the opportunity to testify today and look forward to your questions. Thank you.

[ADM Jonathan W. Greenert, USN, Chief of Naval Operations, was scheduled to appear at this hearing. Due to a scheduling conflict, he was unable to attend. In his place, ADM Mark E. Ferguson III, USN, Vice Chief of Naval Operations, testified; however, Admi-

ral Greenert's prepared statement is included in the record. Admiral Ferguson did not submit a prepared statement.]

[The prepared statement of Admiral Greenert follows:]

PREPARED STATEMENT BY ADM JONATHAN GREENERT, USN

Chairman Levin, Ranking Member Inhofe, and distinguished members of the committee, thank you for holding this hearing and for the opportunity to testify on the impact on our Navy of sequestration and a full-year Continuing Resolution (CR).

Important qualities of our naval forces are their readiness to respond to crisis and persistent forward presence. Because they continuously operate overseas at the maritime crossroads, our Navy and Marine Corps are the first responders to crises such as terrorist attack, military aggression or natural disaster. Operating forward at strategic maritime crossroads such as the Straits of Malacca, Hormuz, or Gibraltar, naval forces contain conflict, deter aggression without escalation, and assure allies and build partnerships.

When I last appeared before you I assessed that our fiscal year 2013 budget proposal, developed under the limitations of the Budget Control Act of 2011 (BCA), was not without risk. As I said last year, senior DOD leaders conducted an assessment of the ability of our force to implement the new Defense Strategic Guidance (DSG). In the Navy we also assessed the capabilities, training, and the number and type of ships and aircraft required to execute the strategy. We determined the force supported by the fiscal year 2013 budget proposal was able to execute the strategy, but with some risk due to limitations in overall capacity.

There is no question we must get our Nation's fiscal house in order, but we should do so in a coherent and thoughtful manner to ensure appropriate readiness, warfighting capability and forward presence—the attributes we depend upon from our Navy. Unless we change course we will, without proper deliberation, dramatically reduce: our overseas presence; our ability to respond to crises; our efforts to counter terrorism and illicit trafficking; and our material readiness across the Navy (afloat and ashore). Perhaps more disconcerting, we may irreversibly damage the military industrial base we depend on to build and maintain our ships and aircraft. Over the next decade, the combination of sequestration and the reduced discretionary caps would compel us to dramatically reduce our fleet size. Under these circumstances, I assess your Navy will be limited in its ability to provide the capability and capacity called for in the current defense strategy; and unable to fully support the Global Force Management Allocation Plan for our Combatant Commanders.

OUR SITUATION

We face three separate, but linked, budget mechanisms that converge next month and place at risk our ability to carry out our defense strategy. As a result of the failure of the Joint Committee established under the BCA to achieve $1.2 trillion in deficit reduction, a sequestration order will be issued on March 1; in addition, a second sequestration due to a breach in the fiscal year 2013 discretionary caps is scheduled to be ordered on March 27. Sequestration will add to a budget shortfall in operating accounts already created by the Continuing Resolution (CR). Sequestration and the CR render us unable to continue our current and anticipated level of operations, compel us to cancel some maintenance and training, and constrain our ability to invest in future capability and capacity.

We will approach this challenge using our enduring tenets, established upon my assuming the office of CNO, to guide us:

- Warfighting first
- Operate forward
- Be ready

The Navy's primary mission is to be ready to fight and win today, while building the ability to win tomorrow; all our efforts will remain grounded in this fundamental responsibility. We will continue to operate forward, where the Navy is most effective; but at significantly lower levels. We will endeavor to remain ready, providing our fleet and sailors the best possible training, maintenance, and logistics to assure their confidence and proficiency.

FISCAL YEAR 2013: A READINESS CRISIS IN THE MAKING

Our immediate concern from the sequestration and the CR is their impact on readiness and training during this fiscal year. The CR is based on fiscal year 2012 funding levels and therefore includes fewer operating dollars than we proposed, and Congress authorized, for fiscal year 2013. Extended for the whole fiscal year, the

CR would provide the Navy $3.2 billion less in operations and maintenance funds than requested in the fiscal year 2013 budget. In addition, we have incurred $1.4 billion in unplanned costs in fiscal year 2013 from emergent ship repairs and increased (and unbudgeted) presence in the Arabian Gulf. The CR also precludes the start of new projects. If the CR is extended for the whole fiscal year, we will stop work on two aircraft carrier refueling overhauls (USS *Abraham Lincoln* and USS *Theodore Roosevelt*), one of which is within 4 months of completion. The prohibition on "new starts" under the CR also compels us to defer construction of USS *John F. Kennedy* (CVN–79), USS *Somerset* (LPD–25) and USS *America* (LHA–6) and cancel the planned procurement of an *Arleigh Burke*-class guided missile destroyer, multiple P–8A Poseidon aircraft and hundreds of weapons. Similarly, we will not begin about $675 million in "new start" military construction projects while under the CR.

In addition to the CR funding shortfall in operating accounts, the March 1 sequestration order would impose significant additional cuts in fiscal year 2013, which would reduce all of our accounts by about 8 percent. As mentioned above, second sequestration due to a breach in the fiscal year 2013 discretionary caps is scheduled to be implemented on March 27. The Department estimates the combined effects of sequestration will be a 9 percent reduction, which would result in a $4 billion cut in operations and maintenance funding from current levels and $11.2 billion in the fiscal year 2013 budget overall. Taken together, the CR, sequestration and emergent costs would create an $8.6 billion shortfall in the operations and maintenance account for fiscal year 2013. $12.3 billion has already been spent from this account in fiscal year 2013, and another $16.4 billion is fixed in existing contracts and safety requirements. Therefore, we must find $8.6 billion in savings from the remaining $20.2 billion in operations and maintenance funding—more than a third of the money available in the account.

Therefore, we are compelled to take the following steps:

- Cancel 70 percent of ship maintenance in private shipyards and all aircraft maintenance scheduled in the third and fourth quarters of fiscal year 2013; this affects up to 25 ships and 327 aircraft and eliminates critical ship and aircraft repair and adds to an existing maintenance backlog generated by a decade of high-tempo operations—resulting in an overall Navy maintenance backlog of about $3 billion;
- Reduce by about one-third the number of days at sea and hours of flight operations for ships and aircraft permanently stationed in the Asia-Pacific; cancel all aircraft deployments and four of six ship deployments to the region;
- Reduce by half the number of days at sea and by one quarter the hours of flight operations for ships and aircraft in the Middle East and Arabian Gulf; reduce carrier presence in the Arabian Gulf to one (the requirement is two carriers);
- Stop Amphibious Ready Group (ARG) deployments to the Middle East/Arabian Gulf in fiscal year 2014 after USS *Boxer*; this loses the Nation's primary response force for crises such as noncombatant evacuations in Liberia and Lebanon, floods in Pakistan and Thailand and terrorism threats in Africa—all of which were addressed by ARGs in the past decade.
- Cancel five of six fiscal year 2013 ship deployments (including USNS *Comfort*) and stop all aircraft deployments to South America, stopping efforts that interdicted hundreds of tons of illegal drugs into the United States in 2012;
- Cancel all ship and aircraft deployments to Africa, halting support to counter-terrorism operations on the continent during a time when terrorist affiliates are active there;
- Stop training and certification of ballistic missile defense ships, resulting in no new deployments of these ships to Europe after October 2013;
- Cancel most non-deployed operations including exercises, pre-deployment certification, and all port visits in the continental U.S.; as a result, the number of ships available for homeland defense will be reduced and it will take 9 to 12 months for ships that were not preparing to deploy to regain certification for Major Combat Operations;
- Stop training and certification for Carrier Strike Groups (CSG) except for the one next to deploy to the Middle East/Arabian Gulf; We will have only one additional or "surge" CSG certified for Major Combat Operations in fiscal year 2013 and throughout fiscal year 2014 (down from almost three on average);

- Stop training and certification for Amphibious Ready Groups (ARG), resulting in no additional or "surge" ARG certified for Major Combat Operations in fiscal year 2013 and fiscal year 2014;
- Freeze hiring of civilian workers and release current temporary workers, resulting in a reduction of about 3,000 people from our shipyard workforce of Navy civilians;
- Plan to furlough up to about 186,000 civilians for 22 days, resulting in a 20-percent pay reduction.

On top of reductions in operations and maintenance funding, sequestration will reduce fiscal year 2013 funding for each investment program (about $7.2 billion overall). In some programs, such F–35C Lightning II, P–8A Poseidon and E–2D Hawkeye, this reduction will compel us to reduce the number of platforms procured in fiscal year 2013.

In addition to these immediate impacts, our actions in fiscal year 2013 to address reductions from the CR and sequestration will begin to erode our readiness in four major ways:

Degraded material condition and expected service life of our ships and aircraft. The cancellation of maintenance for ships and aircraft will reduce their service lives, increase the likelihood of break downs and force us to pay a higher cost (premium) to make up the critical maintenance later. Should operations funding eventually become available, some ships and aircraft will be unavailable to deploy or surge because they need repairs; further, we will need to realign ship maintenance periods and repairs within an already tight operational schedule.

Sailors lacking proficiency and confidence. Cancelled training and exercises could result in some units in the fleet that, by the end of fiscal year 2013, are not proficient in the basic skills necessary for effective warfighting operations. To be effective, we need all combatants able to deploy or surge to a contingency.

A damaged industrial base. Delayed or cancelled ship and aircraft construction, cancelled maintenance and repair, and reduction of the civilian workforce will immediately impact private shipyards, aircraft and weapons manufacturers and our military industrial base. The loss of work in fiscal year 2013 alone may cause some smaller suppliers and service providers to shut down.

Increased strain and operational tempo on our sailors and civilians. The reduction of ready forces will put greater stress on the sailors assigned to ships and squadrons that are currently deployed or soon to deploy. They will operate at a higher tempo; and we are already at an extraordinary operational tempo. While military compensation is exempt from sequestration, there is a cost to the force in having to do more. However, I remain committed to making sure we provide for our sailors, civilians, and their families by funding our most important missions and deployments, and Family Readiness Programs.

If Congress authorizes the Navy to transfer funds within the fiscal year 2013 budget, we intend to restore our most critical operations and maintenance requirements. This will be done by taking funding from investments such as perhaps the P–8A Poseidon, F–35C Lightning II and Littoral Combat Ship—resulting in fewer of these platforms being procured in fiscal year 2013.

LONGER-TERM EFFECTS: A DIFFERENT FLEET AND A DIFFERENT STRATEGY

In addition to sequestration for fiscal year 2013, the BCA also required the lowering of the discretionary caps for fiscal year 2014 through fiscal year 2021. Beyond fiscal year 2013, if the discretionary cap reductions are sustained for the full 9 years, we would fundamentally change the Navy as currently organized, trained and equipped. As time allows, we will take a deliberate and comprehensive approach to this reduction, based on a reevaluation of the Defense Strategic Guidance. In doing so, I will endeavor to: (1) ensure our people are properly resourced; (2) protect sufficient current readiness and warfighting capability; (3) sustain some ability to operate forward by continuing to forward base forces in Japan, Spain, Singapore and Bahrain, and by using rotational crews; and (4) maintain appropriate research and development.

As I indicated last year to the Senate Armed Services Committee (SASC), under a set of fiscal circumstances in sequestration, our Navy may be a fleet of around 230 ships. That would be a loss of more than 50 ships, including the loss of at least two carrier strike groups. We would be compelled to retire ships early and reduce procurement of new ships and aircraft. This would result in a requisite reduction

in our end strength. Every program will be affected and as Secretary Panetta noted in his 2011 letter to Senators McCain and Graham, programs such as the F–35 Lightning II, next generation ballistic missile submarine and Littoral Combat Ship might be reduced or terminated.

Inevitably, these changes will severely damage our industrial base. Some shipyards will not be able to sustain steady construction or maintenance operations and may close or be inactivated. Aviation depots will reduce their operations or become idle. Aircraft and weapons manufacturers will slow or stop their work entirely. In particular, the small firms that are often the sole source for particular ship and aircraft components will quickly be forced to shut down. Once these companies and their engineers and craftspeople move on to other work, they are hard to reconstitute, sometimes impossible, at a later date when our national security demands it.

REDUCING THE IMPACT OF SEQUESTRATION AND THE CONTINUING RESOLUTION

We ask that this Congress act quickly to replace sequestration with a coherent approach to deficit reduction that addresses our national security interests. Additionally, the Department needs Congress to pass fiscal year 2013 appropriations legislation that allows the department to allocate reductions in this fiscal year in a deliberate and coherent manner to sustain current operations while meeting current obligations.

I am honored to represent about 600,000 sailors and civilians serving their country in the U.S. Navy. We understand the importance of resolving our fiscal challenges to ensure our Nation's future prosperity. I look forward to working with Congress to ensure our Navy will remain the world's preeminent maritime force while continuing to protect our Nation's security and prosperity.

Chairman LEVIN. Thank you very much, Admiral.

General Amos.

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

General AMOS. Chairman Levin, Ranking Member Inhofe, and committee members, thank you for the opportunity to testify before this committee on the potential impacts of sequestration. This topic is one of high importance with implications not only to our fiscal health but also our Nation's necessary leadership in the global community.

Speaking as a member of the Joint Chiefs of Staff, a critical measure of the effectiveness of our Armed Forces is its readiness. Sequestration by its magnitude, its timing, and its methodology will have a devastating impact on readiness both short-term and long. Combined with the effects of the existing CR, sequestration creates unacceptable risk; risk to our strategy, risk to our forces, risk to our people, and lastly risk to our Nation.

Regarding strategy, maintaining a free international economic system and a just international order are linchpins to our Defense Strategic Guidance. The effects of disruption to this global order are readily observed in rollercoaster energy prices, fluctuating global markets, sovereign behavior, and economic uncertainty. Failing to provide leadership in the collective security of this global order would have significant economic consequences for the American people. Worse, the lapse in American leadership would create a void in which old threats would be unaddressed and new security challenges would find room to grow. There should be no misunderstanding. The combined effect of the CR and sequestration will have a deleterious effect on the stability of global order, the perceptions of our enemies, and the confidence of our allies.

Sequestration should not be viewed solely as a budget issue. Our collective actions in the next months will be scrutinized on a global

stage and even the perception of a disruption of our Nation's ability to protect its global interests could well have strategic consequences.

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

Because of our special role as America's crisis response force, marines place a high premium on readiness. I have done everything in my authorities to date to preserve the tenets of a ready Marine Corps. I will continue to do so. Under a CR, I have kept deploying units ready but only by stripping away the foundations of the long-term readiness of the total force. While these short-term adaptations are possible, the enduring effects of some of these decisions put us at an unsustainable tipping point. By the end of this year, more than 50 percent of my combat units will be below minimal acceptable levels of readiness for deployment to combat.

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

The most troubling and immediate risks are those that sequestration imposes on our people. Sequestration does not hurt things. It hurts people. The qualitative edge that the American servicemember takes to the battlefield is the fundamental advantage that differentiates our forces from our enemies. This qualitative combat edge will be severely eroded by the impacts of sequestration, leaving marines and other servicemembers with inadequate training, degraded equipment, and reduced survivability.

While military pay and allowances have been exempted in this round of sequester, the quality of life for the All-Volunteer Force and their families will inevitably suffer as we reduce family programs and installation maintenance. Our civilian marines will likewise be impacted. The 95 percent of our civilian workforce that is employed well outside the confines of the National Capital Region are the Guards at our gates, our budget experts who pay our bills, our acquisition professionals, the therapists who treat our wounded, and the experts who repair our equipment, and finally the teachers who instruct our children. The economic impacts to these families and their local communities are put at risk by either short-term furlough or long-term termination. Protecting our ability to keep faith with our wounded warriors is a top priority in my Marine Corps, but even this, this most sacred of responsibilities, will increasingly be placed at risk.

In closing, allow me to articulate one more set of risks, the risk to our Nation. In the final analysis, sequestration asks the most from those who have borne the greatest sacrifice. It invalidates the careful planning of the services to manage a predictable resource decline, replacing it instead with a dramatic resourcing cliff that guarantees inefficiency, waste, and its accommodation. The effects of sequestration over the long term will threaten the foundations

of the All-Volunteer Force, putting the Nation's security on a vector that is potentially ruinous. It dramatically shapes perceptions of our Government as both an employer and as a customer, reducing confidence throughout institutions.

These are all risks that demand our immediate attention and action. By its scale, timing, and inflexibility in implementation, sequestration greatly aggravates our national risk profile, all at a time of strategic rebalancing and change. I urge the committee to consider the full range of risks created by this legislation and ask for your assistance in mitigating them to the extent possible.

Thank you and I look forward to answering your questions.

[The prepared statement of General Amos follows:]

PREPARED STATEMENT BY GEN. JAMES F. AMOS, USMC

INTRODUCTION

As a Nation and as a department, we are entering difficult times. My fellow service chiefs and I are here to talk about the potential impacts of both the current continuing resolution (CR) and sequestration and the resulting fiscal impacts. We are here to talk about the challenges that have already presented themselves as a result of the CR, and the further disruptive impacts of pending sequestration. I think it is important, however, to start with some things that will not change. All marines, including their Commandant, believe in the criticality of our role in the defense of our Nation. Our marines in the valleys of Afghanistan, afloat on amphibious ships, standing their posts at our embassies, and training for war at home ... all remain at their posts. We are highly cognizant of the global stage upon which our collective actions will be scrutinized, and we share the concern of all that even the perception of a disruption of our Nation's ability to protect its global interests will have strategic consequences.

As Commandant, I assure you that we will do everything in our power to ensure the continued security of the American people, to protect the global interests that underpin our prosperity; we will meet our responsibilities for rapid response to crisis wherever it may occur. Marines will be always faithful to the trust which the American people have vested in them. You have my pledge that I will do everything within my authorities to maintain that forward deployed and ready force, period. Already a lean organization, your marines will continue to give you the best capability that can be squeezed from the resources you allocate for our Nation's defense.

RESOURCES AND READINESS

Struggling under the CR funding levels for operating and investment accounts, which are much lower than the request, the prospect for even deeper reductions from sequestration in this fiscal year is alarming. There should be no misunderstanding; the combined effect of the continuing resolution and sequestration will have a significant effect on the global security climate, the perceptions of our enemies, and the confidence of our allies. In a new normal of brushfire instabilities, violent extremism, non-state threats and struggling sovereign entities, the role of the United States as a leader in the protection of the international order is central. The effects that our Armed Forces create in this global environment are measured in ready crisis response forces, ships at sea, planes in the air, partnerships on the ground and trust among our allies. In a word, our propensity to remain a global leader in a challenging world is measured in Readiness. Readiness is the aggregate of the investment in personnel, training, and equipment to ensure that units are prepared to perform missions at any given time. Our ability to project a ready force is measured by friend and foe alike. Their reactions, and the impacts on the international order upon which our prosperity and security depend, are a direct reflection of the readiness of our forces.

The linkage between resources and readiness is immediate and visible. While I think all can agree that defense resources must be highly scrutinized as our Nation finds its fiscal footing, the scale and abrupt implementation of prospective resource changes have the potential for devastating impacts on readiness. This is not a temporary condition. Impacts on readiness have primary, secondary and tertiary effects. While the primary effects on short-term readiness will be observable immediately, the longer-term effects may be even more devastating. Under the continuing resolution at fiscal year 2012 resource levels, I have already been forced to realign funds

from longer term activities within the operation and maintenance account to protect the short-term readiness of our combat deployed marines, and those on the forward edge of our Nation's ability to respond swiftly when crisis erupts. While these short-term adaptations are possible, the short-term readiness of our current forces comes at the expense of those who will follow in their footsteps. In a sense, we are eating our 'seed corn' to feed current demands, leaving ever less to plant for the enduring security demands of the Nation.

Without action from Congress to address the magnitude of defense resource changes, the abrupt nature of the imposition of reductions, and the severe inflexibility in their implementation, the Nation will experience significantly degraded defense readiness. The strategic impacts will be immediate and global.

MARINE CORPS READINESS DEGRADATION

The Defense Strategic Guidance remains a clear articulation of future threats, challenges, and opportunities—I continue to support its full implementation. In the event of an annualized CR, the Marine Corps faces a $406 million reduction in its Operation and Maintenance budget relative to the President's fiscal year 2013 budget. This will create immediate challenges in maintenance, training, and base operations accounts. Given the looming specter of sequestration in addition to the CR, we face an extended period of severely constrained spending driven by rules that provide little flexibility to efficiently apply the mandated reductions. Analyzing and applying constrained resources requires decisions now; decisions that will have strategic impact.

By the will of the 82nd Congress, the Marine Corps is mandated to be the Nation's expeditionary force in readiness. Having been dubbed "America's 911 Force," we are our Nation's hedge against uncertainty ... a national insurance policy of sorts. As such, deployed forces, and units in training alike, are poised to swiftly respond to crisis and disaster, giving immediate options for strategic decision-makers ... all while buying time for the generation of the larger joint force. We mitigate the risk inherent in an uncertain world by being ready to respond to today's crisis—with today's force—today. Even when not deployed, Marine units are required to maintain higher levels of readiness, so they can deploy on short notice. "Tiered readiness," where resources from non-deployed units are paid-forward to ensure that deployed and next-to-deploy units have sufficient personnel, equipment, and training to accomplish their mission, is a recipe for a hollow force. Over time, tiered readiness leads to an unacceptable degradation in unit readiness. This is not compatible with the ethos, role, or missions of our Nation's expeditionary force in readiness.

Our marines on the forward edge of our Nation's security remain my number one priority. The forces that currently support the Afghanistan mission, those engaged in countering terrorism globally, and those preparing to go, will receive the full support they need. This has my full attention. Protection of support services for our wounded warriors and their families also remains a high priority. Our focus on deployed forces, families, and our wounded warriors, comes at a cost. Under the continuing resolution, I have been forced to degrade activities necessary to the long-term readiness of the force, such as organizational and intermediate maintenance of equipment returning to theater, to ensure the full support to our most engaged units. For forces not deploying to Afghanistan, the fuel, ammunition, and other support necessary for training will be reduced precluding our ability to provide fully trained individuals and ready units to meet emerging crises—ultimately impacting even the Amphibious Ready Group and our Marine Expeditionary Units. The looming specter of sequestration, if not addressed, amplifies this impact. To keep our marines in the field, we are already being forced to reduce depot maintenance of our equipment, reduce our participation in training exercises, reduce equipment buys and curtail modernization programs. Despite the constrained funding resulting from the CR and sequestration, in the next 6 months we will be able to continue meeting Marine Corps deployed warfighting needs and the training of next-to-deploy forces. Between 6 and 12 months, however, we'll continue to decrement readiness accounts with ever increasing erosion of home station unit readiness and force modernization, and begin to show small impacts in next-to-deploy forces. Beyond 12 months we will see a real impact to all home station units (e.g. fixed wing squadrons will have on average only 4 of 12 assigned aircraft on the ramp due to aviation depot shutdowns) and the beginning of impacts to our next-to-deploy and some deployed forces—in all a slide to a hollow force we have fought so hard to avoid.

It is important to note that sequestration has significant impacts well beyond this current year. Viewing sequestration and its impact solely in fiscal year 2013 abrogates our responsibility to ensure long-term readiness of the force. The Marine Corps manages the long-term health and readiness of the force by balancing re-

sources across five broad pillars: high quality people, near-term unit readiness, capability and capacity to meet combatant commander requirements, infrastructure sustainment, and equipment modernization. Maintaining balance across all five of these pillars is critical to achieving and sustaining Marine Corps readiness. Actions we are being forced to take to ensure our short-term readiness (e.g. transferring facilities sustainment funding to support operations and equipment maintenance) are creating an imbalance across these pillars and will result in both near and far-term readiness shortfalls. The entirety of your Marine Corps' ground material modernization investment accounts for this fiscal year contains only $2.47 billion, comprising a mere 12 percent of our baseline budget. Due to our small numbers, further reductions in the ground investment accounts, although perhaps proportional to the other Services, will have disproportional impact on Marine Corps readiness, especially as it pertains to limited essential modernization.

Marine Corps readiness is at a tipping point in the sense that our ability to rebalance funding from long-term investments to short-term readiness is becoming unsustainable. By the end of calendar year 2013, less than half of our ground units will be trained to the minimum readiness level required for deployment. The impact on our aviation units is not any better. Only two thirds of our aviation combat units will be at readiness levels required for overseas deployment; decreased readiness will compound in 2014 and beyond. In order to maintain our forward deployed "fight tonight" units at acceptable readiness levels, we will fall well below the minimum number of flight hours at home necessary to retain minimum safe flight standards and warfighting capabilities. We will have to reduce our Theater Security Cooperation and exercise support by 30 percent in the Asia-Pacific region, opening the door to those who would gladly take our place in global leadership. In doing so, we will markedly limit bilateral and multi-lateral engagement opportunities, thus putting our credibility at risk with our allies and partners. The void left by our "actual absence," where we may be needed most, will be filled by somebody ... some other nation or entity.

CONTAINING THE DAMAGE

We have worked diligently to mitigate the effects of the CR, slowing the rate of expenditures across our accounts to ensure sufficient funding for the entire fiscal year and to better prepare for the potential effects of sequestration. Our task has been made more challenging by the ever increasing demand for marines. A resumption of the Marine Unit Deployment Program in the Pacific has reestablished a key component of the Nation's stabilizing presence in the Asia Pacific region. The establishment of a rotational presence of marines in Darwin, Australia has already had a positive impact on the confidence of our allies and our ability to respond to crises in the South and Southeast Asian littoral. The planned ramp-up of Marine security forces for our embassies and consulates is a necessary artifact of the "new normal." Marines are in high demand to support the growth of special operations and cyber forces as well. Together, the increased requirement for marines around the globe, combined with the reduced funding associated with an annualized CR, has created a Marine Corps funding shortfall of $945 million in fiscal year 2013.

To preserve the ability to operate throughout the entire fiscal year and prevent immediate reductions in depot workforce, cyber activities, base security, and ongoing training and exercises we reallocated second quarter fiscal resources from lesser priority funding. We have curtailed all but mission-essential travel and conferences. We have slowed expenditure rates below those required to maintain our current readiness levels, and have reduced depot funding and facilities sustainment, restoration and modernization spending. We have delayed major contracting actions until later in the fiscal year, where feasible, to give us a hedge against our worst-case fiscal scenario—CR and sequestration. Had we not taken these actions, we would have exhausted our operations and maintenance resources in early to mid-August with no way to pay for even our deploying and next-to-deploy forces' readiness.

As an example of our funding slow down, we are delaying obligation of MRAP support funding as we validate essential operational requirements. We reduced civilian personnel budget caps and allowed commanders to determine priority hiring within these reduced spending levels, even though they are still recovering from a previously instituted 14-month long Marine Corps wide hiring freeze in 2011 and 2012. This funding reduction reduced planned civilian personnel expenditures by $38 million and will result in the Marine Corps being approximately 400 civilians short of our intended fiscal year 2013 civilian workforce end strength. Some essential programs at our bases and stations, such as our Wounded Warrior programs, will continue while other, less critical programs such as Tuition Assistance and Off Duty Education are reduced or eliminated as the resources necessary to maintain

faith with our marines and their families are used to fund readiness. While no decisions on furloughs have been made, we have published guidance across the Marine Corps to plan for reduction in temporary and term employees, and for potential furloughs of civilian personnel. The potential extensive and deleterious human and family effects associated with furloughing our civilian marines are unthinkable, but in the event they are unavoidable, we must do prudent planning. Beyond the individual impact of furloughs to our civilian marines, the impact on everything from readiness at Marine Special Operations Command, the readiness impacts at our Depots and our bases and stations, to the readiness impacts on our Wounded Warrior and family programs is significant. Our civilian marines are not simply headquarters staff personnel in the Pentagon. Rather, 95 percent of our civilian workforce comes to work every day outside the National Capitol Region and performs invaluable functions that keep our Marine Corps ready and contribute directly to our warfighting effectiveness.

Although barely sufficient to mitigate the immediate impacts of an annualized CR, these actions are in no way sufficient to cover the additional fiscal impact of sequestration in fiscal year 2013. Sequestration is expected to impose nearly an additional billion dollars in resource reduction to the Marine Corps this year. This will drive irreversible readiness impacts, especially when viewed through a long-term lens. The inflexibility of sequestration and discretionary cap reductions in the Budget Control Act of 2011, if allowed to occur, would trigger cascading cuts in our operating budgets through 2021. Many initiatives will be unfunded or underfunded given our potential resourcing levels. Here are some specific examples of actions I will be forced to take due to the combined effects of the CR and sequestration:

- Reduce depot funding to 27 percent of the identified requirement, thus decreasing throughput of depot level maintenance for organizational equipment, and delaying our ability to reset war-torn equipment by 18 months or more
- Park over 80 aircraft as depot maintenance schedules are stretched out
- Reduce support to theater geographic combatant commander requirements for shaping their theaters, responding to crisis and preventing conflict
- Reduce participation in multi-national training exercises, degrading one of the most effective investments in building partner nation capacity
- Degrade training for deploying units due to lack of fuel, equipment and spare parts
- Cut ammunition allocations for gunner certification and training
- Cut flight hours available for pilot proficiency, safety, and certification
- Reduce facility maintenance to 71 percent of the requirement
- Delay Marine Corps contributions to Joint special operations and cyber forces
- Further reduce an already thinned civilian workforce
- Severely curtail or extend acquisition programs
- Reduce organizational activities including recruiting, range-maintenance, family-housing maintenance and quality of life enhancements for military families
- Curtail safety and base security investments
- Cut educational investments in the human capital of our uniformed and civilian workforce
- Reprioritize an entire year of Military Construction projects into fiscal year 2014 and beyond. Given the current fiscal limitations, some could be delayed or deferred or may be cancelled. When reductions in facilities sustainment are compounded with the inability to execute our planned Military Construction program for fiscal year 2013, we are faced with a situation where we have severely impacted planned aviation unit lay-downs associated with the MV–22 and F–35B, as well as other critical projects at home and in the Pacific.
- Delay major procurement programs such as Ground/Air Task Oriented Radar, Joint Light Tactical Vehicle, and Amphibious Combat Vehicle resulting in the possibility of Nunn-McCurdy breaches, Initial Operational Capability delays, and increased unit and total program cost.
- Cancel major multi-year procurements such as the MV–22 and incur greater cost and program delay in future program buys

CONGRESSIONAL ACTION

I have identified the very real impacts of the CR and the potential further impacts of sequestration. Congress can take actions in three areas that can lessen the im-

pact and hopefully make less draconian implementation of reductions to the defense program:

- Review the magnitude of the total Defense reductions over the 10 years of sequestration and ensure the impacts to readiness and a sustainable national defense are well-understood and strategically acceptable;
- Pass a fiscal year 2013 appropriation bill that ameliorates to the greatest extent possible the adverse impacts of the continuing resolution; and
- If a fiscal year 2013 appropriation bill is unachievable, enhance the ability of the Services to optimize continued readiness under the current resource caps by allowing for reallocation or rebaselining of funds providing increased transfer and reprogramming authorities in the annualized CR, and include the ability to execute critical multi-year procurements such as the MV–22 and provide for fiscal year 2013 military construction projects

As part of either a fiscal year 2013 appropriation or an annualized CR, it will be necessary to arrest extra inflationary personnel cost growth in order to maintain a balanced portfolio and a capable force. Recently, the Joint Chiefs of Staff offered a number of well-developed and thoughtful proposals to slow or reduce the growing cost of our personnel accounts. I urge you to review these proposed adjustments to pay raises, housing entitlements, tuition assistance and TRICARE premiums. We must consider these critical cost reducing actions in order to continue to meet the Nation's defense requirements, take care of our people, and do so in a manner that retains the most ready, sustainable and capable All-Volunteer Force we have had across the proud history of this Nation.

CONCLUSION

Our actions to resource the defense of our national and global interests will have strategic consequences. Our foes, cunning and adaptive, watch carefully for any decline in American ability or willingness to lead in a partnered global order that supports the common good. The continued prosperity and security interests of our Nation are dependent on resourcing long-term success.

While Congress and this committee carefully executes their responsibility to validate every taxpayer dollar they appropriate to our Nation's defense, I can assure you that the Marine Corps will continue to uphold our share of this responsibility as a sacred trust. Our reputation as the "frugal force" comes from an ethos that values both high combat readiness, and careful stewardship. The Marine Corps will ask only for what it needs, not for what it wants. I am committed to building the most ready Marine Corps that the Nation can afford. The current fiscal uncertainty and the implementation restriction of sequestration prevent realizing this commitment and threaten to force our retrenchment from those global issues and areas that are still of critical importance to America. Working together, we can map out a resource strategy that protects our global interests as a nation, keeps faith with our servicemembers, and provides the greatest value to the American people. I thank you for the opportunity to engage in this dialogue, for your service to our Nation, and for your continued support to your marines. Semper Fidelis.

Chairman LEVIN. Thank you, General Amos.

General Welsh.

STATEMENT OF GEN. MARK A. WELSH III, USAF, CHIEF OF STAFF OF THE AIR FORCE

General WELSH. Thank you, Mr. Chairman, Ranking Member Inhofe, and members of the committee. It is always an honor to appear before you.

In line with what you have already heard, sequestration threatens to carve crucial capability from America's Air Force with alarming and immediate effects on people, readiness, and infrastructure and eventually on modernization. Sequestration represents a potential $12.4 billion top line reduction for the Air Force in fiscal year 2013, affecting every account and program. If it occurs, it will significantly undermine your Air Force's readiness and responsiveness today. It will significantly impact the Air Force civilian workforce in the coming months, and its impact on modernization will clearly affect the Air Force's future capability.

I know your staffs have the specific examples from all the Services, but just to highlight a few.

Sequestration will result in an involuntary 22-day furlough, as the Deputy Secretary mentioned, that will affect 180,000 civilian airmen. That deprives our Air Force of over 31.5 million man-hours of productivity and specialized expertise this year. It will result in a loss of over 200,000 flying hours. While we will protect flying operations in Afghanistan and other contingency areas, nuclear deterrence, and initial flight training, roughly two-thirds of our active duty combat Air Force units will curtail home station training beginning in March and will drop below acceptable readiness levels by mid-May. Most will be completely non-mission capable by July.

Sequestration will cut 30 percent of our remaining weapon system sustainment funds, which means we will need to postpone approximately 150 aircraft and 85 engines from depot induction, creating a backlog that could take years for us to recover.

The Air Force's global vigilance, reach, and power make it one of America's premier asymmetric advantages. That strategic agility and responsiveness requires a high state of readiness. Sacrificing that readiness jeopardizes the many strategic advantages of air power. From a parochial Air Force perspective, sequestration will have an immediate effect on our ability to respond to multiple concurrent operations around the globe, something we have been asked to do many times in the past, along with our sister Services.

Longer term, sequestration cuts to Air Force modernization will impact every one of our investment programs. These program disruptions will, over time, cost more taxpayer dollars to rectify contract breaches and time delay in efficiencies, raise unit costs, and delay delivery of validated capabilities to warfighters in the field. The Air Force is long overdue for reconstitution following 2 decades of war. Our inventory still includes aircraft that are as old as I am, and our force is as small as it has ever been since becoming a separate service. Now we find ourselves stuck in the unenviable trade space between readiness and modernization and we need your help to get out.

I urge Congress to do all that is necessary to avert the arbitrary cuts of sequestration and to pass an appropriations measure for the current fiscal year. I look forward to your questions.

[The prepared statement of General Welsh follows:]

PREPARED STATEMENT BY GEN. MARK A. WELSH III, USAF

America's Air Force strives daily to be The World's Greatest Air Force—Powered by Airmen, Fueled by Innovation. However, the threat of sequestration continues to overshadow that vision, as well as the Department of Defense's efforts to organize, train, equip, and employ America's armed forces in the defense of our Nation, her allies, and her ideals. Designed as a forcing function to spur meaningful fiscal solutions for our country, sequestration has instead exerted incredible short- and long-term planning disruptions upon the Military Services. It now threatens to carve crucial capability from America's military without thoughtful consideration of changes in the strategic environment, our Nation's defense strategy, or the conscious assumption of risk in the military instrument of national power.

If sequestration occurs, it will significantly undermine the Air Force's readiness and responsiveness today, wreak havoc on the Air Force civilian workforce in the coming months, and—by hobbling modernization efforts—mortgage the Air Force's future health for years to come. For the U.S. Air Force, the effects of sequestration equate to a potential $12.4 billion topline budget reduction, affecting every non-exempt account and program. Coupled with a $1.8 billion shortfall in overseas contin-

gency operations funding resulting from a potential year-long continuing resolution, reductions of this magnitude have already driven disruptive actions in the near-term, and promise devastating impacts over the longer-term.

NEAR-TERM ACTIONS

As the current fiscal year approaches the halfway mark and the issue of fiscal year 2013 funding remains unresolved, the Air Force and the other military Services have instituted many near-term cost-saving actions to provide as much fiscal flexibility as possible in the coming months. As directed by Deputy Secretary of Defense Carter's January 10, 2013, guidance memorandum "Handling Budgetary Uncertainty in fiscal year 2013," these actions attempt to minimize adverse effects on Airmen and their families, protect unit readiness, and are to some degree "reversible" if the budgetary environment stabilizes. Nonetheless, the significant near-term actions the Air Force has already taken have induced turbulence into daily operations and future planning, and disrupted the lives of Airmen and their families.

As of January 16, 2013, the Air Force implemented a civilian hiring freeze. This practice will drive capability gaps across the force and slow the Air Force's ability to provide trained civilian Airmen to manage the nuclear enterprise, sustain investments in the intelligence community, and maintain and operate our joint and Air Force bases. The Air Force is also releasing temporary employees and not renewing the appointments of term employees unless their positions are deemed mission critical. This will impact up to 990 temporary employees, 2,160 term employees, and 260 re-employed annuitants who were specifically re-hired from retirement status for their expertise to perform specialized tasks. These releases will generate mission gaps, and will require the use of military personnel to cover the workload of the civilian positions vacated.

Major commands have also been directed to anticipate and plan for an operations and maintenance (O&M) topline budget reduction of approximately 10 percent for fiscal year 2013, or approximately 22 percent of their remaining funds, in order to lead-turn the possibility of sequestration. All flying not directly related to readiness is being reviewed for necessity, while also weighing the international partnership impacts of withdrawing from high-profile events. Supply purchases are limited to essential fiscal year 2013 consumption only, which will drive a bow-wave of all maintenance supply requirements beyond the fiscal year as long-term needs remain unordered. This practice will most affect operations at remote locales, where supply chain delays exert the greatest impact in the absence of an on-station critical component. The commands are also descoping or incrementally funding contracts for fiscal year 2013 only, particularly in the areas with the most flexibility, such as construction, facility support, information technology, and knowledge-based services. Unfortunately, these are also the areas where small business contracts typically thrive, and we anticipate a significant hit to our small business prime contractor base, an area where we have devoted time and energy to strengthen.

The Air Force has also deferred all non-emergency facility sustainment, restoration, and modernization projects across its installations, which amounts to a 50-percent reduction in annual spending in this area, and a 90-percent reduction in planned spending for the remainder of the fiscal year. These delays affect dozens of restoration, modernization, sustainment, and demolition projects at dozens of installations nation-wide and overseas. Dormitory upgrade and repair projects are also delayed, as are many energy-saving initiatives at multiple installations.[1] Although these near-term facility actions are technically "reversible," they also magnify already-verified infrastructure risks, invite more costly repairs once conducted in the future, and bring economic hardship upon the civilian workforce in the affected communities. Some of these deferments elevate operational risk by interrupting runway or taxiway sustainment, while others require us to maintain unneeded and energy-inefficient infrastructure.

Commanders across the Air Force major commands have already cancelled staff assistance visits, inspections, conferences, symposia, and training seminars not deemed mission critical. Some of these cancellations translate into increased operational risk that will compound over time as units delay much-needed compliance inspections, while others delay required certifications for specialized career fields like firefighters and explosive ordinance disposal specialists. A $53 million reduction

[1] 93 restoration and modernization projects at 52 installations nation-wide and overseas, 14 sustainment projects at 12 installations, and 82 demolition efforts across 39 locations have been delayed. Twelve dormitory upgrade and repair projects affecting 1,195 dorm rooms for airmen at 9 installations are also delayed, as are 220 energy focus fund projects at 70 installations, as well as some installation moves toward utility privatization and automated metering.

in specialized training of this type postpones the promotions of over 8,000 Airmen, and reduces the certification levels of those career fields to critical deficiencies.

If the Air Force executes all of these near-term actions for the remainder of the fiscal year, they will generate spending reductions of about $2.9 billion of the $12.4 billion total anticipated reductions required by sequester. Should sequestration occur, the remaining $9.5 billion in reductions must come from three critical areas where reductions will inflict near- and long-term damage to our force—the civilian element of our Total Force, today's readiness (O&M accounts), and modernization accounts designed to ensure future institutional health—all during the latter half of the fiscal year. These longer-term actions will be substantial and will produce enduring consequences on our force for many years.

LONGER-TERM ACTIONS

Should sequestration occur, the Air Force expects the requirement to involuntary furlough up to 180,000 civilian airmen. Although the exact figures are still in work, we anticipate the loss of 22 working days for each civilian airman between mid-April and September 30, 2013. This loss goes far beyond the 31.5 million man-hours of productivity we will lose—it also hits each individual with a 20 percent loss in pay over a 6-month period, and it breaks faith with an integral and vital element of the Air Force family. The operational impacts will be particularly severe in parts of the Air Force that rely most heavily on civilians, like our depots and some of our flying training bases. For example, at Laughlin Air Force Base, TX, the Air Force's largest pilot producer in fiscal year 2012[2], civilian Airmen comprise the entire maintenance and simulator instructor workforce. A 20 percent reduction in that base's ability to maintain jets and train student pilots will slow vital pilot production, an issue that always requires careful management.

Decreasing force structure and high operations tempo since 2001 have combined to increase stress on all the Services, and Air Force readiness levels have declined steadily since 2003. We have already been forced to put full-spectrum training on the back-burner to support the current fight, and now the arbitrary nature of sequestration threatens to put us even further into a readiness deficit. The Air Force's global range, speed, flexibility, and precise striking power are what make it one of America's premier asymmetric advantages. That strategic agility and responsiveness requires a high state of readiness across the Total Force to meet the requirements of the Defense Strategic Guidance—the Air Force cannot execute the defense strategy from a tiered-readiness posture. Continuing to sacrifice Air Force readiness jeopardizes the many strategic advantages of airpower, and as the Service chief charged with strengthening and advising on America's Air Force, I cannot stress strongly enough the devastating effects sequestration will have on Air Force readiness.

Operationally, flying hours remaining in the current fiscal year will drop by 203,000 hours across the Air Force, the consequence of an 18 percent reduction of the fiscal year's total budget, or about 30 percent of remaining funds. Because the Air Force must prioritize and continue to fly operational flights in support of ongoing named operations, nuclear preparedness, presidential support, and initial qualification training pipelines, many of the flight hours that must be eliminated will come from other combatant commander requirements such as theater security cooperation packages and continuous bomber presence missions in the Pacific, joint and coalition exercises,[3] and the cancellation of important advanced tactical training such as the Weapons Instructor Course. Test and training ranges in Nevada and Utah would also close in the July 2013 timeframe, removing valuable airspace for both combat training and test-and-evaluation activities. Beyond the readiness impacts of the flying hour reduction, relationships and continued interoperability training with many key partners and allies around the world, particularly in the Pacific, are also adversely affected.

The remainder of the lost flight hours, which are so vital to aircrew proficiency and currency, will come from the training side of the equation. Those combat air force units not expected to deploy—the majority of fighter and bomber units—will only continue to fly until unit-level depletion of their flying hour funds, which could occur as early as mid-May 2013. Mobility air forces will experience training degradations in airdrop and air refueling, affecting both joint and international partners, with unit O&M funds potentially running out in July 2013. Lost training currencies from unit stand downs would require 6 months to a year to return to current sub-optimal levels, with desired flying proficiency for crewmembers requiring even

[2] 358 Laughlin Air Force Base undergraduate pilot training graduates in fiscal year 2012.

[3] Joint and international exercises like Cope Tiger, Red Flag, Green Flag, Talisman Saber, Commando Sling, Cope West, and Northern Edge would likely be cancelled.

longer. This restoration would require additional funding beyond expected fiscal year 2014 levels, necessitating further cuts in other areas.

The Air Force pilot training pipeline is particularly sensitive to these types of disruptions. On April 1, 2013, Air Education and Training Command will curtail advanced flight training courses, freeing up resources necessary to protect initial qualification flight training. Despite those actions, initial qualification flight training may also stand down in early September 2013, or perhaps earlier depending upon the impact of civilian airmen furloughs. The cascading effects of stoppages like these could result in future pilot shortages that could take over a decade to remedy.

Sequestration will also affect weapons system sustainment by deferring 30 percent of the remaining depot maintenance in the current fiscal year, representing about 18 percent of the fiscal year's total effort. These depot delays affect over 30 aircraft types and weapons systems across the Total Force and will require the grounding of some of the affected aircraft.[4] The deferments equate to a 33 percent depot workload reduction, resulting in idled production shops, a degradation of workforce proficiency and productivity, and corresponding future volatility and operational costs. Most importantly, all of this deferred maintenance simply slides all future work to the right, further delaying functional, safe equipment to the warfighter. Full recovery from this kind of depot pipeline disruption could take as long as 6 to 10 years.

All of these longer-term impacts from sequestration negatively affect Air Force full spectrum readiness at a time when we've been striving to reverse a 10-year declining trend in this critical area. The unique characteristics of airpower include range, speed, flexibility, precision, lethality and persistence. These characteristics depend deeply on having a force ready to operate at a moment's notice. It is unconscionable that we would throw away the required readiness that is at the heart and soul of airpower's enduring value to the Nation and the joint force rather than come together to provide a more precise, thoughtful, and effective budgetary solution.

These longer-term actions would only achieve an additional $3.4 billion of the projected reductions required by sequester, driving the remaining $6.1 billion into Air Force modernization and investment accounts, effectively mortgaging our future health to pay today's avoidable bills.

Sequestration cuts to Air Force modernization investments, if applied at the program, project, and activity level as planned, impact every one of the Air Force's investment programs. For example, the F–35A low rate initial production would see reductions of at least two aircraft from the requested 19 in fiscal year 2013. Such potential reductions not only drive up unit costs—resulting in fiscal year 2014 production funding shortfalls—they also delay follow-on software and flight testing. Test and evaluation delays could increase total test costs three-fold across all programs, and delay delivery of critical capability to U.S. service men and women in the field. Sequestration also puts our innovative acquisition strategy on complex space systems—efficient space procurement—at risk by jeopardizing cost efficiencies. For example, an estimated $1 billion in savings within this strategy for the Space Based Infrared Radar System (SBIRS) would be lost under sequestration.

Each of these long-term investment account disruptions negate thousands of manhours spent on planning, implementing, and managing complex programs intended to best balance the efficiency of taxpayer dollar expenditure with the effectiveness of capability creation to fulfill the Defense Strategic Guidance. Inflicting a sledgehammer blow to the planned execution of these programs through sequestration harms both aspects of that precious balance. Over time, more taxpayer dollars would be spent to address the contract re-structures and time-delay inefficiencies that sequestration will induce, while delivery delays of validated capabilities infused with perishable technologies will only reduce our already-shrinking advantage over potential adversaries.

CONSIDERATIONS FOR THE FUTURE

Many of the adverse impacts of sequestration to Air Force operations are aggravated by the fact that we are still operating under a continuing resolution, now 5 months into the fiscal year. The absence of a final fiscal year 2013 appropriations bill thrusts each military Service into a planning purgatory of sorts, clouding near- and long-term fiscal programming with a fog of ambiguity, and placing dozens of

[4] Sequestration will induce 146 depot delays affecting over 30 aircraft types and weapons systems, including the C–17, C–130, F–15, F–16, KC–135, B–52, A–10, and E–8 JSTARS. 85 engines will also be pulled from service.

acquisition programs at risk.[5] These implications are above and beyond those of sequestration, and further complicate an already overly-complex budgetary environment.

None of the actions the Air Force has taken in anticipation of sequestration have been easy, but the actions that will be necessary should sequestration occur would be devastating. Although we will make every effort to minimize the impact of sequestration to airmen and their families, operational readiness, and force modernization, each of those areas will experience painful, palpable, and ultimately pricey disruptions. Additionally, to better position the Air Force to meet the many challenges of providing the effective airpower America expects within shrinking funding levels, further base realignment and closure authority would generate significant infrastructure savings that might alleviate assumed risk in other areas. At a time when Air Force readiness is long-overdue for vital reconstitution, our fleet is aged beyond the bounds of comfort, and our force is at its smallest since its inception, we find ourselves in the untenable trade space of forcing further risk to our Nation's defense by sacrificing elements of three keys to the effective provision of airpower—airmen, readiness, and modernization.

I am reminded of times like March 2011 when America's Air Force conducted simultaneous combat operations in Iraq and Afghanistan, homeland defense missions in America's skies, airlift missions in support of presidential diplomatic efforts in South America, short-notice and significant humanitarian aid to tsunami-ravaged Japan, all while providing 99 percent of operational airlift, 79 percent of in-flight refueling, 50 percent of airborne reconnaissance, and 40 percent of strike missions in support of a United Nations-sanctioned no-fly zone over Libya. The readiness effects we expect should sequestration occur will make executing multiple concurrent operations like these much more difficult, and in some cases impossible. History shows these kinds of demands for America's military will continue—it is my job to make sure the Air Force is ready.

I urge Congress to do all that is necessary to avert the arbitrary cuts of sequestration. We owe it to America's sons and daughters, who put their lives on the line whenever and wherever their Nation asks, to care for their families, provide them sufficient training, and equip them to a position of advantage over all potential adversaries.

Chairman LEVIN. Thank you, General Welsh.

General Grass.

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

General GRASS. Chairman Levin, Ranking Member Inhofe, and members of the committee, it is an honor and privilege to be here today.

The greatest threat to the National Guard today is the continued uncertainty over the budget. I provided all 54 adjutants general with a summary of near-term measures to assist them in mitigating budget risk and threats to our readiness. However, without near-term relief, our ability to respond to domestic and other contingencies will decline.

In personnel, we are implementing a civilian hiring freeze and not renewing temporary civilian employees. We are planning to defer sustainment and maintenance requirements for our aircraft, vehicles, and facilities. The National Guard is reviewing every bit of overhead across our force. We are curtailing conference attendance and all travel and training that is not mission-essential or produces readiness.

[5] Unapproved "new starts" and "quantity increases" will affect acquisition programs like the F–35A, MQ–9, and SBIRS, as well as negating the ability to award a CV–22 multi-year program. An additional 22 scheduled Air Force construction and family housing projects will also not be awarded.

Full sequestration and a year-long CR will directly impact the readiness of our units and will have an impact on the full range of National Guard activities.

In the area of personnel, a Government-civilian, and military technician hiring freeze, compounded by a possible 22-day furlough, will limit our ability to train and maintain our National Guard forces.

In the area of maintenance, current depot backlogs, coupled with the loss of reset dollars, will reduce National Guard equipment availability and readiness.

In the area of facilities, sustainment, restoration, and modernization cuts will degrade an already aging armory infrastructure. The CR prohibits any new starts on our military construction, further threatening armory and facility modernization master plans.

Finally, in the area of training, a near-term lack of operations and maintenance funds will cut our flying hour program and reduce our vehicle miles in operations and maintenance causing reduced readiness. If not addressed, we will be forced to park vehicles and aircraft.

In a matter of months, our readiness as an operational force for our Nation's defense and as an immediate homeland response capability available to the Governors will erode.

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

[The prepared statement of General Grass follows:]

PREPARED STATEMENT BY GEN FRANK J. GRASS, USA

OPENING REMARKS

Chairman Levin, Ranking Member Inhofe, distinguished members of the committee; I am honored to appear before you today, representing more than 460,000 citizen-soldiers and airmen in the Army and Air National Guard. The National Guard stands poised to fully implement its authorities, to execute its responsibilities, and to build upon its 376-year legacy as an operational force deeply engrained within the foundation of American strength and values. The citizen-soldiers and airmen serving from throughout the Nation, its communities, the States, territories, and the District of Columbia contribute daily to our Nation's overseas and domestic security objectives.

SEQUESTRATION GENERALLY

As I stated in my remarks to this committee last year, I believe sequestration will be devastating to the Department of Defense and the National Guard. Today's dynamic and difficult fiscal conditions require the Department of Defense to deliberately make tough choices and live within our means. The convergence of the potential March 1 and March 27 sequestrations and a Continuing Resolution reduces the Department's ability to make those choices and institutes debilitating across the board cuts. This, will no doubt have devastating impacts on our force as an operational reserve.

THE NATIONAL GUARD

Today's fiscal environment requires that the Reserve components be maintained as an operational force. This means the National Guard has to be trained, ready, and equipped to face the full spectrum of threats facing our Nation. The investment made in today's National Guard, particularly since September 11, has produced a proven operational force equally adept on the battlefield and in performing our domestic response mission, often within hours of an emergency. It has also produced an agile and skilled force postured to embrace new missions outlined in the President's strategic defense vision.

The National Guard remains ready—every day, to expand the capacity of the President and our Governors to meet the needs of our people whether it is shaping

the security environment, engaging across the world and within our communities, or bringing full-spectrum military power during times of critical need. National Guard Forces today are deployed to Sinai, Kosovo, Afghanistan, and many hot spots around the world. Additionally, over the weekend National Guardsmen responded to the winter storm in the northeast and are winding down Hurricane Sandy response activities.

The National Guard is committed to remaining an operational force for use both at home and abroad, but this unique budgetary environment threatens the investment made to build and preserve this capability.

While National Guardsmen provide a unique dual capability to State and Federal leaders at a lower cost than the Active component, sequestration will erode the improvements in the National Guard's operational capability made since September 11. The National Guard will be unable to properly address the training and equipping needed to sustain an operational force. Sequestration will harm the National Guard's ability to rapidly, robustly, and competently expand the Nation's full-spectrum military capability to defend vital national interests in the most affordable, lowest risk manner possible. This will result in a readiness crisis for our Armed Forces.

SPECIFIC SEQUESTRATION AND CONTINUING RESOLUTION IMPACTS

Within the National Guard the readiness crisis caused by sequestrations on March 1 and March 27 and a full-year Continuing Resolution will have an immediate and lasting impact. Although National Guard warfighters will continue to receive support, the ability to provide ready forces to respond to disasters in support of our Nation's governors and to meet our Federal obligations will be negatively impacted; simply our ability to protect and defend the Homeland will be significantly hindered. In addition to the statements made by the Chiefs of Staff of the Army and Air Force regarding the impact to the Total Force, four priority areas directly related to readiness of the National Guard will be severely impacted: Personnel; Equipment Maintenance; Facility Maintenance; and Training.

Personnel

Under sequestration, approximately 115,000 traditional National Guard Forces will not receive their annual medical or dental examinations. This reduction in examinations will bring total force medical readiness down by 39 percent. Much of the investment made in medical readiness and the operational force as a whole since September 11 will be lost. Within 1 year, readiness will be degraded to pre-war levels.

The National Guard has a unique civilian workforce, distinctly different from the Active component. Under sequestration, the civilian workforce faces potential furlough. These civilians, most of whom are also traditional members of the National Guard, support the maintenance and training of soldiers and airmen. On a day-to-day basis, military technicians and civilian employees support activities essential to the readiness and functioning of the largely part-time citizen-soldier force of the National Guard. This unique service provides the level of support and continuity necessary for the National Guard to support mobilizations, deployments, domestic operations, and maintain continuity of services for the National Guard members remaining in States during mobilizations and deployments. Furloughs of these essential personnel will further reduce the readiness of our people, equipment, facilities, and training.

Equipment

The Army will cancel or reduce depot level maintenance which includes the reset of equipment returning from deployment. The reset process ensures returning National Guard equipment is repaired and provides the maintenance needed to bring equipment back to Fully Mission Capable Status. Additionally, reductions in maintenance accounts will limit the availability of parts and labor to mitigate this issue. National Guard units will return to their States with equipment in a low state of readiness and it may not be available to the unit to support State authorities in response to tornados, floods, or wildfires, or a complex catastrophe.

Similarly, the Air National Guard may not have the equipment available to respond to a new contingency. The Air National Guard will have to "park" aircraft due to reduced funding for flying hours. Additional cuts in weapon systems sustainment will result in an Air National Guard fleet may be less able to respond on a short notice to domestic and overseas contingencies.

Facilities

The National Guard is located in over 3,000 communities across the country, and our readiness is dependent upon maintaining modern facilities. The numerous National Guard facilities are crucial for training a geographically disperse force. The Army National Guard will face a reduction in each fiscal year 2013 military construction project. Project reductions will require a reduction in physical scope and cost additional dollars in planning and design in order to redesign to the reduced scope (lost scope impacts organizational parking, unit storage, and common space such as drill halls). Redesign will result in execution delays which, in turn, impact availability of facilities for training. Further, reductions in funding to maintain and repair existing facilities will result in inadequate resources to support soldiers. Routine and preventative maintenance will suffer causing greater damage to the quality of National Guard facilities.

Sequestration will also directly impact contracts that are imbedded in our cooperative agreements with the States. The National Guard may be unable to maintain all contracts that support facilities and provide members of the community with jobs in security, fire fighting, grounds keeping, custodial work, snow and ice removal, and building maintenance and repair. Cancelling or reducing these contracts will also cost the National Guard additional funds above those lost to sequestration as a result of penalties.

Training

Training will be impacted by the reduction of ready equipment and the personnel who support those training events. The lack of equipment and personnel will limit ground level training; battalion and brigade level training will only occur for deploying units, while all other units will only train at the platoon level. As the Active Army reduces or cancels full spectrum training rotations, there will be fewer opportunities for total force training for members of the Army National Guard. The Army will cancel all Combat Training Center rotations and Division Warfighter Exercises except for training for deploying units. Fifteen Field Artillery classes will also be cancelled by the Army. Further reductions in Basic Combat Training will result in drastic reductions in the number of deployable soldiers. Within the Air National Guard, the number of flight training missions will also be reduced as training flights are cancelled and as flying hours are allocated for priority missions. Under sequestration most flying units will be below acceptable readiness standards by the end of this fiscal year.

CLOSING REMARKS

As the Chief of the National Guard Bureau, I want to thank you for your continued support of our citizen-soldiers and airmen. We currently have the best trained, best equipped, best led, and most combat tested National Guard in our 376-year history. We see this force as essential not only to the Army and Air Force, but as the dual-use asset for our communities here at home.

Your support is needed more than ever today, to mitigate the impacts of sequestration. Without congressional action, these across the board cuts will impact the National Guard's ability to meet steady state demands and act as a strategic hedge for unforeseen world events. I look forward to your questions.

Chairman LEVIN. Thank you, General Grass.

We are going to start with a 3-minute first round for questions, and see whether or not that may actually get us to where we need to go. I am going to yield to Senator Kaine.

Senator KAINE. Thank you, Mr. Chairman, Mr. Ranking Member, my colleagues, and to the military leadership assembled, I appreciate your courtesy.

Yesterday, unrelated to this hearing, I visited one of the premier medical facilities in the United States, the Fort Belvoir community hospital, to visit with wounded warriors, their families, and also the medical professionals who treat them. I had a roundtable session with wounded warriors, and I said I am a new Senator. What would you like to either tell me or ask me? I expected I would do a lot of talking about medical care for active duty and veterans. They wanted to talk to me about budget uncertainty. They asked how budget uncertainty would affect the medical care they are re-

ceiving right now and the care their comrades in arms are receiving. They wanted to talk about budget uncertainty in TRICARE benefits. Secretary Carter, your testimony goes into TRICARE deficits by year end.

A guardsman, whose full-time civilian job, a DOD civilian job, wanted to talk to me about what furloughs meant, and others who were facing imminent medical retirement wanted to talk a little bit about the workforce they might be going back into and the potential effect on the economy of drastic cuts that would make it harder for them to get traction back into civilian life.

This was a hearing where I expected to be talking about medicine, but what I heard and what I ended up talking about was the effect of budgetary uncertainty. This follows the testimony of Secretary Panetta and General Dempsey last week.

I wanted to just ask a couple of questions focusing, Admiral Ferguson, on some Navy issues. The announcements last week dealing with the Truman and the Lincoln—I know one of the priorities that you are focusing on is trying to make decisions that are in fact reversible should Congress do our business and get this right. Some of the decisions that you have already announced—how long can we persist down that path before these decisions start to have an irreversible effect on our readiness and shipbuilding capacity?

Admiral FERGUSON. Senator, beginning on February 15, we will begin notification to private shipyards about deferrals of maintenance availabilities up to the point and under the CR. If we sustain under a CR, those maintenance actions will be deferred. If we do not get the authorities in the bill to say start work on the new construction carrier and to complete the overhaul—or start the overhaul—on the other carriers—then three carriers now are tied up and delayed because we do not have authorities. So those are reversible with congressional action.

On the sequestration issue and with *Truman*, we had to look at what happens to the Navy under sequestration. Like the other Services, we effectively stopped training and certifications of our air-wings. We shut down four air-wings on March 1st. After 90 days, those pilots lose their certification, and now it takes 6 to 9 months to retrain them at a much higher cost. In our assessment, it was more prudent for us to delay *Truman* to be able to deploy later this summer and for *George H.W. Bush* to deploy later this year or early next year to provide continuous coverage in the Middle East rather than have two carriers now and then fall off completely in fiscal year 2014.

The impacts are under sequestration—the longer we go, the greater the impact on readiness for our forces and the longer the recovery time, and at greater expense.

Senator KAINE. Thank you very much.

Chairman LEVIN. Thank you very much, Senator Kaine.

Senator Inhofe.

Senator INHOFE. I enjoyed visiting with you yesterday, and of all of the States, I think you are hit just about as hard as anyone. There is a document here that I know has not been circulated to everyone. The Air Force alone shows what you lose in your State. Then you throw the Navy in there. I mean, you are out of business. I would like to ask all the other Services that did not provide us

with this information in this format—what it does is show every State, how each is affected by sequester. Would you try to get that for me? Thank you.

[The information referred to follows:]

See response to question for the record #66.

Senator INHOFE. Next, you heard what I said about Admiral Winnefeld talking about we would have to say that we cannot—do you agree with his statement that he made? Does anyone disagree with that statement? [No response.]

Okay. Secretary Carter, I understand that the administration is planning towards an end-of-March release of the fiscal year 2014 budget. Will your submittal to the Office of Management and Budget (OMB), which I understand takes place today, include cuts from sequestration? Just yes or no is fine.

Dr. CARTER. No.

Senator INHOFE. When you do this budget, would you be willing—you have heard Senator McCain and me complain about all this stuff that is thrown into the defense budget such as paying nine times as much per gallon for the Navy to buy 450,000 gallons and all of that. Would you, for the record, send me something as to what your intentions are on putting things in the budget that do not really provide for our defense? We know we do have a Department of Energy. Would you do that just for the record?

Dr. CARTER. Absolutely, Senator.

[The information referred to follows:]

The Department of Defense's annual budget request includes requirements needed to meet mission needs. The majority of items that are non-core defense related are supplemental to the budget request.

DEFENSE HEALTH PROGRAM

Most of the breast and other cancer research, as well as diseases such as ALS and Alzheimer's, are done via congressional adds (~$300 million/year), so they're not in the budget request.

MILITARY PERSONNEL (MILPERS) AND O&M COSTS

"Hurricane Hunters"

The 53rd Weather Reconnaissance Squadron of the Air Force Reserve primarily supports the National Oceanic and Atmospheric Administration. The fiscal year 2013 budget request includes ~$34 million in O&M funding and ~$500,000–$1 million in MilPers.

Guam Buildup

To assist the civilian population of Guam in response to the military buildup in Guam. The fiscal year 2013 PB includes $139 million. Included in the $139 million is $33 million for construction of a mental health and substance abuse facility and a regional public health laboratory.

Counter Illicit/Threat Financing

Funding for counter threat financing is embedded in the counter narcotics budget. Fiscal year 2013 request: $20 million.

Drug Interdiction and Counter Drug Activities

For fiscal year 2013, this includes $110 million for the "Drug Demand Reduction Program". Excludes $20 million Counter Threat Finance funding noted above. Total fiscal year 2013 request $999 million.

Export Control/Licensing

Funded in the Defense Technology Security Administration's account. Fiscal year 2013 request: $6 million.

Defense Support to Civil Authorities

The Air Force provides the civil air patrol corporation $24 million and also supports the Civil Air Patrol function (liaison officers and 52 liaison office wings) with $9 million. Fiscal year 2013 request: $33 million.

National Security Education Program

The National Security Education Program's mission is to equip Americans with proficiencies in less commonly taught languages and cultures that are critical to national security and to provide a cadre of highly qualified candidates for employment in the national security community. Fiscal year 2013 request $16 million.

Integrated Acquisition Environment

This funding pays the Department's share of mandatory GSA e-Government initiative costs. Fiscal year 2013 request: $29 million.

Regional Security Affairs

Provides analysis of management of cultural situations in nation states and oversight to military joint ventures and cooperative DOD-Foreign government programs including educational, training, and developmental opportunities. Fiscal year 2013 request: $5 million.

e-Gov Initiatives and Government-Wide Councils

This program implements OMB IT Management requirements supporting the President's agenda for transparency, information sharing, and OMB's guidance on alignment of architectures, advancement of new technologies, Federal-wide management initiatives, and implementation of Federal-wide services. Fiscal year 2013 request: $18 million.

Readiness and Environmental Protection Initiative

The military departments' identify expanding development and urban growth as an increasing challenge to range and installation viability and a growing impediment to mission readiness. Fiscal year 2013 request: $51 million.

Homeless Blankets

The DOD budget includes an annual request to procure blankets that can be provided to the homeless each winter: $4 million.

Cooperative Threat Reduction

The Cooperative Threat Reduction (CTR) program provides for the destruction and nonproliferation of nuclear, chemical, and other weapons of mass destruction of the Former Soviet Union. The breakout is $483 million for CTR and $443 million for the Defense Threat Reduction Agency. Fiscal year 2013 request: $926 million.

Vietnam War Commemoration

In accordance with Public Law 110–181 SEC.598, the 2008 National Defense Authorization Act authorized the Secretary of Defense to conduct a program to commemorate the 50th anniversary of the Vietnam War. Fiscal year 2013 request: $11 million.

Overseas Humanitarian Assistance/Foreign Disaster Relief

The fiscal year 2013 funding is comprised of: (1) Humanitarian Assistance ($74 million); (2) Humanitarian Mine Assistance Program ($5 million); and Foreign Disaster Relief ($30 million). The Overseas Humanitarian, Disaster, and Civic Aid appropriation is available for 2 years.

National Guard Youth Challenge Program

The Challenge program (32 U.S.C. 509) is a youth development program for drug free 16 to 18 year old high school dropouts who are unemployed and not currently involved with the legal system. Fiscal year 2013 request: $120 million.

Innovative Readiness Training Program

CMP-The Innovative Readiness Training Program (10 U.S.C. 2012) provides improvements to local communities by means of selected infrastructure, health care, and environmental projects. Fiscal year 2013 request: $20 million.

School Grants

Funds the ongoing effort to construct, renovate, repair, and expand elementary and secondary public schools located on military installation to address capacity and facility conditions in those schools. Fiscal year 2013 request: $51 million.

Environmental Programs' Transfer Accounts

Breakout of accounts: Army - $336 million, Navy - $311 million, Air Force - $529 million, Defense-Wide - $11 million, and Formerly Used Defense Sites - $238 million. Fiscal year 2013 request: $1.425 billion.

Chemical, Biological, Radiological, Nuclear, High Yield Explosive

Funds Operations and Maintenance ($115 million) and the Personnel cost ($188 million) for the Civil Support teams training and mission to support civil authorities at a domestic chemical, biological radiological, nuclear and high yield explosive. Fiscal year 2013 request: $303 million.

Non-Core Medical Research:

Breast cancer - $11 million
Gynecological cancer - $9 million
Integrated Cardiac Health Care - $4 million
Neuroscience - $2 million
Pain management - $3 million
Prostate cancer - $8 million
Pacific Based Joint Information Technology Center - $8 million

Other Activities:

Defense research sciences: $8 million
University research initiatives: $81 million
University and Industry Research Centers: $109 million
Combat vehicle and automotive technology: $16 million
Environmental quality technology: $20 million
Medical technology: $9 million
Medical advanced technology: $20 million
Military HIV research: $7 million
Environmental quality technology demonstrations: $18 million
Medical systems: $12 million
Technology maturation initiatives: $25 million
Medical biological defense equipment: $17 million
Army integrated air and missile defense: $15 million
Program wide activities: $7 million
Security and intelligence activities: $8 million
Medical development: $13 million
Rapid technology transition: $13 million
Provision of industrial facilities: $205 million
Arms initiative: $3 million
Education and outreach: $21 million
University research initiatives: $141 million
Technology insertion plan and analysis: $6 million
Basic research initiatives-Minerva: $19 million
National Defense Education Act: $88 million
Language translation: $64 million
Human, social, and culture behavior: $7 million
Strategic environment research and development: $65 million
Integration microsystems technology: $36 million
Mixed technology integration: $75 million
Environmental security tech certification program: $76 million
Humanitarian demining: $13 million
Joint operations security initiative: $3 million

Senator INHOFE. Okay.

General Welsh, you and I have talked about this in Fort Smith when we were over there about the problems that we are facing with the hollowing of the readiness in terms of just pilot training, number of hours. Does this dramatically increase your problem? What I am trying to get to here—and we may have to get it for the record. Readiness equals risk equals lives. Have you put into any kind of a quantitative amount of what this could cause in terms of lives or of risk? Just yes or no is fine.

General WELSH. Yes, sir.

Senator INHOFE. All right. Would you make sure that we get that for the record?

General WELSH. Yes, sir, I will.

[The information referred to follows:]

Historically, we know that reduced readiness relates directly to increased risk. Our calculus to determine warfighting risk includes aircraft attrition and lost lives. In the training environment, a decrease in flying hours that would result from sequestration will result in lower aircrew readiness levels. Cutbacks in funding for weapons system sustainment negatively affect depot maintenance proficiency and drive lower aircraft and mission capable and availability rates. We know from experience that this reduced readiness and proficiency has an impact on safety in the air and on the ground.

The consequences of reduced readiness in a combat environment are more significant. These same decreased proficiency and aircraft availability rates negatively affect safety statistics outside the battlespace and directly impact survivability and success in the air war. Lower aircraft availability directly affects our available capacity to prosecute the fight, while limited aircrew proficiency is directly connected to decreased survival for aircrew and aircraft in contact with enemy forces. We learned during the Vietnam conflict that if our Airmen had the opportunity to train in high-intensity, realistic threat environments, their survivability in combat was significantly enhanced—this was the genesis of our Red Flag exercise program. A lack of ready aircrews in a combat environment also results in greater losses for our sister Services, in addition to greater civilian casualties and collateral damage. Sequestration will severely degrade Air Force capability, lethality, and responsiveness, resulting in increased warfighting risk and limited national strategic options.

Senator INHOFE. General Odierno, both you and General Amos talked about readiness, readiness, readiness, and I appreciate that. Again, readiness, risk, and lives. Would you do the same thing in your Services, or have you done this already?

General ODIERNO. Yes, sir.

[The information referred to follows:]

See response to question for the record #66.

Senator INHOFE. All right. I appreciate that.

Then lastly General Dempsey and Admiral Ferguson, as I mentioned in my opening statement, Secretary Panetta announced the indefinite delay in deployment of the *Truman* Carrier Strike Group. Will you be as specific as you can as to what the consequences will be in a lack of a two-carrier presence, what it means for ongoing U.S. Central Command operations? Would you do that for us?

General DEMPSEY. Yes, Senator, we will.

[The information referred to follows:]

General DEMPSEY. [Deleted.]

Admiral FERGUSON. On 6 February, the Secretary of Defense approved a delay in the deployment of the USS *Harry S. Truman* Carrier Strike Group (CSG) to U.S. Central Command (CENTCOM) by up to 6 months. Additional resequencing of follow-on CSG deployments planned for CENTCOM is in progress which will reduce the CSG presence in that region to the level funded in our adjudicated Global Force Management Allocation Plan, namely one aircraft carrier sustained presence. The reduction still maintains carrier presence in U.S. Pacific Command, with a surge capability if required. This decision was made in consultation with the CENTCOM commander.

Through the Navy's Force Generation Process, we are committed to keeping one carrier operating forward and the ability to surge forward in the event of a crisis.

Surge capacity enables the U.S. Navy to maintain ships to deploy on short notice in the event they are needed to respond to national security contingencies.

The United States will continue to maintain a robust military presence in the CENTCOM region, including the current carrier presence and a mix of other assets, to fulfill enduring commitments to our partners. The U.S. military remains ready to respond to any contingency and to confront any threat in the region.

Senator INHOFE. Thank you very much.

Chairman LEVIN. Thank you very much, Senator Inhofe.

Senator Reed.

Senator REED. Thank you very much, Mr. Chairman.

Secretary Carter, I just want to clarify part of your testimony that if we are able to avoid sequestration, there are still significant issues with the BCA going forward. Is that correct?

Dr. CARTER. Right. Sequestration per se, the item-by-item cut, only applies to fiscal year 2013, but the BCA does a lot more than cut the fiscal year 2013 budget. It cuts the defense budget by a large amount, roughly $50 billion, in every year for the next 10 years. That is the part that turns a readiness crisis into a change of strategy. That is a lot of cut on top of what we have already done.

Senator REED. So the immediate challenge is sequestration and also obviously the either omnibus or a CR until the rest of this year, but longer term in strategic concepts that we also have to re-evaluate and perhaps redo the whole BCA strategy.

Dr. CARTER. We would have to go back and redo our national defense strategy if we had those cuts.

Senator REED. Let me ask another question. You have contractual obligations particularly when it comes to procurement, acquisition, et cetera. Are you in a position where you have to void those contracts and pay penalties, or is that something, ironically perhaps, that you are going to continue to build equipment, aircraft, ships, et cetera, while at the same time eroding the readiness of the force?

Dr. CARTER. Sequestration and the cuts only apply to unobligated funds. So if we already have entered into a contract, that contract is still good unless we choose to break it because of everything else that is going on.

What will very much be affected is contracts that we intend to enter. For example, multi-year contracts, which we have intentions to enter because they are more efficient and they cause the manufacturer to produce things in a more economically efficient way that is good for the taxpayer, good for us. Those kinds of things we are not going to be able to do.

As Admiral Ferguson pointed out, a lot of our ship actions are constrained account by account in the CR. He cannot do anything to start a new ship. He is only allowed to build the same ship he built last year. That does not make any sense.

Senator REED. Let me ask a related question too. Assuming a resolution somewhere down the road, you are going to have to probably spend more money restarting activities, recalling personnel, making up for training by doubling up not only the air, land, and sea forces. Is that another consequence? The irony here could be is that these savings disappear quite rapidly when we go back to business.

Dr. CARTER. Yes. This costs money because it wastes money. Starting, stopping, going up, going down, stretching out programs is inherently inefficient. So all of our managers who try so hard to use the taxpayers' dollar the best way, get things just so, work with their industry partners to get a good deal for the Government—all that stuff goes in the waste basket in these circumstances. It is really a shame.

Senator REED. Thank you for your testimony.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator Reed.

Senator McCain.

Senator MCCAIN. Thank you, Mr. Chairman.

I thank all the witnesses for being here and their service to the country.

This is, would you say, Ash, kind of an Orwellian experience? Here we are looking at these draconian cuts. Already some of the manifestations of the requirements have taken place. Meanwhile, it is the day after North Korea tests another nuclear weapon. Iraq is unraveling. The Iranians just rejected the Vice President's proposal last weekend for one-on-one talks concerning nuclear weapons. Libya is obvious. Mali. Egypt in a state of unrest. Now Tunisia. We are probably in a more unsettled period since the end of the Cold War than certainly I have ever seen. Would you agree with that assessment?

Dr. CARTER. I absolutely agree.

Senator MCCAIN. Meanwhile, the signal we are sending frankly to the Iranians is do not worry. This aircraft carrier is not coming. This is really a disconnect, the likes of which I have never seen before.

I want to talk about the sequestration because Senator Graham, Senator Ayotte, and I traveled around the country warning about the effects of sequestration. We went to a whole lot of places where the men and women in the military say how can we possibly do this, cause this uncertainty in the lives of the men and women who are serving, the latest being the cancellation of the deployment of the aircraft carrier. Meanwhile, the President of the United States, when asked, said it will not happen. It will not happen. During the campaign, it will not happen. We were worried for a long time that it was going to happen, and it is disgraceful to treat the men and women in the military, who we all speak with such advocacy and passion on their behalf, to be subjected to this kind of day-to-day kind of uncertainty that they volunteered to serve this country. But we owe them a certain amount of certainty as to how they are going to be treated, what their assignments will be, and frankly what their future will be. Would you agree?

Dr. CARTER. I absolutely do.

Senator MCCAIN. Then would you not say—and by the way, the Worker Adjustment and Retraining Notification (WARN) Act. OMB put out the word do not worry. Sequestration is not going to take place. You do not have notification to comply with the WARN Act. The WARN Act requires 60 days, in some cases 90 days, notification to employees that they are going to be laid off. I think that we have just placed the Federal Government in a state of a very significant possibility of owing a lot of money to a lot of the military.

But most importantly—and I do not expect you to respond to this. But we elect Presidents for a reason and that is to lead. It seems to me that it is now time for the President of the United States to call the leaders of Congress over to the White House and say, look, if you accept the word of every one of our military leaders as the effect of sequestration, if you accept the fact that the world is becoming more and more dangerous, that this is the worst time.

We should sit down and come to an agreement to prevent the sequestration not only for our national security but for the benefit of the men and women who are serving this Nation. I would be glad to hear any response you might have, and I know that it would be difficult for you to respond to one of my assertions.

Dr. CARTER. Well, thank you. But I, first of all, thank you and Senator Ayotte and Senator Graham. I remember when you took that trip, and I was very grateful to you because we have, I think, felt—at least I felt like we have been voices crying in the wilderness now for 16 months. As I said, this committee is an exception because each and every one of you knows the DOD, knows national security, and can really be aware of what we face.

There was a time when I thought that sequestration was not likely either. I used to say that I was hopeful and optimistic. Then I said I was just hopeful, and now I am not even hopeful because we are only 2 weeks away from it.

We have for some time not only been planning for it, but taking action and that is what you hear described. Even though it has not kicked in, in order to soften, to the extent that is possible, in the last few months of the year the effects of this, we are starting to take actions now. That is what you see in the aircraft carrier. That is what you see in other things. If sequester goes away on March 1st or shortly thereafter, all these actions will have been unnecessary and inefficient, as was pointed out early, but we feel like we have to take them now because we cannot rule out the possibility that we are really going to do this.

Senator MCCAIN. I believe our witnesses would agree that this can have a long-term effect on retention.

I thank you, Mr. Chairman.

Chairman LEVIN. Thank you very much, Senator McCain.

Senator McCaskill.

Senator MCCASKILL. Thank you, Mr. Chairman.

One of the things this place is good about is, when the moment comes that we have to compromise, yelling about how we got to this place in the first place. I want to gently point out for the record that both the ranking Republican on the Senate Armed Services Committee and the chairman of the House Armed Services Committee voted for the BCA. So when we voted for this—and there were 28 Republican Senators that voted for it—we all knew that there would come a day of reckoning, that we would have to sit down and compromise. I certainly hope that the testimony, the dramatic testimony, that you have given this morning will help us get to that place. We will not avoid the sequester if we are all going to draw lines in the sand and say we are not cutting anything or we are not going to do any revenue. If we are willing to acknowledge that the price our country is going to pay is one that we are not willing to pay, then it seems to me this is the moment of compromise. The reason we were so optimistic it would not happen is because most of us thought when the time comes, we will compromise.

So sign me up for the compromise, for painful cuts and for some revenue. I think we have money right now we are paying out to farmers that we all acknowledge is a huge waste of money, billions of dollars. It is not really going to farmers, and they are getting

paid for whether they are making a lot of money or not making a lot of money. It is a great example of a place we can all agree we need to cut that. We need to do it in the next 2 weeks. We need to make sure that money goes towards defense where we know we cannot afford what you all are looking at over the next 10 years.

Having said that, I would like someone to tell me if we gave you the ability—because there are a lot of folks that say just this year's cut, $46 billion out of a $600 billion budget, ought to be manageable. If you had the authority to cut it where you want to cut it instead of the way that we are handcuffing you under the sequester, where would that $46 billion come from if you had the ability, which I think Senator Inhofe is advocating? I certainly agree with him in that regard that we at a minimum ought to give you the discretion to cut where you would do the least amount of harm.

Dr. CARTER. If I may, you are right, obviously, that the mechanism of sequester which makes us cut everything in proportion is dumb from any kind of managerial point of view.

I have to say, though, at this point in the fiscal year, it does not matter that much. We have to go everywhere to get that $46 billion at this point. Anywhere you can get the money we have to go and get the money because, remember, in many places we cannot access it. We cannot lay people off. We can furlough them. We cannot furlough them for more than 22 days. We can furlough them up to 22 days. The President has, I think, rightly exempted military personnel. By this time in the fiscal year, a large amount of the O&M funding has been obligated or is constrained. So all we have left is the room where the unobligated reserve which, as General Odierno explained for the Army, is tiny now. So you are out of Schlitz. He has no room to go. So he is less constrained by the mechanism of sequester. Right now, we got to go everywhere there are dollars to take. So it does not help that much, although I appreciate any unfettering we could get, but it does not help all that much at this point in the year.

Senator MCCASKILL. Well, if there are any specifics you can give us about whether or not it would help to at least give you that discretion, if there are any specifics you can provide us, that would be great.

[The information referred to follows:]

A cut of this size, almost halfway through the fiscal year, would still be a huge problem. Seven months into the fiscal year, achieving a $46 billion cut would require that we reduce all categories of unobligated balances even with flexibility. It would probably still require furloughs. We'd still have to curtail training and weapons maintenance, which would seriously harm readiness, and we would impact numerous investment programs. More flexibility is always better than none, but having that kind flexibility at this late date is not a substitute for solving the problem by detriggering sequestration and passing appropriations bills.

Senator MCCASKILL. My time is up. Very rarely do we have all of you here at one time, and while you are all here—I have mentioned to a couple of you. If you have not yet seen the documentary, "The Invisible War," I certainly hope that every single one of you see it before the next chance I have to visit with you. If you have specific recommendations after seeing that movie on how we can all look ourselves in the mirror and feel much better about the victims of sexual assault within the military, I would love to hear your specific ideas. I am determined to make a difference in that regard

over the next year. If you have not seen the movie—it is nominated for an Oscar for one of the best documentaries this year, I certainly hope you all see it. Thank you.

Senator INHOFE. Mr. Chairman, let me respectfully correct the Senator from Missouri. I did not vote for the BCA.

Senator MCCASKILL. I should have said at the time the BCA was voted upon, the ranking Republican, Senator McCain, and Representative McKeon both voted for the BCA. They were the leading Republicans on Armed Services in the two houses at the time. I should have made it clear it was not you, Senator Inhofe. It was the ranking Republican at the time we took the vote.

Chairman LEVIN. Thank you.

Senator Ayotte.

Senator AYOTTE. Thank you, Mr. Chairman.

I want to thank all of our military leaders for being here today and for your service and everything that you do for us.

Let me just start with this just to put it in a bigger picture here. Sequestration on a scale from 1 to 10, 1 being the least dangerous to our country, 10 being the most dangerous—how dangerous is sequestration in terms of the safety of this country?

General DEMPSEY. Well, I will take a shot at that, Senator. From where I sit today, it sure feels like a 10. I mean, some think tank around town might want to negotiate me down to an 8, but it is really serious.

Senator AYOTTE. I am asking you for your professional judgment.

General DEMPSEY. 10.

Senator AYOTTE. Is there any disagreement on this panel on that? [No response.]

So we are at a place right now where we are facing very dangerous times around the world. Would you all agree with that? Not a time to take a peace dividend.

General DEMPSEY. Yes, absolutely. If I could, because I did not get a chance to respond. The issue of the mechanism is one thing. The magnitude of this thing—even if we got all of the authority in the universe to deal with it, this would be the steepest, biggest reduction in total obligating authority for the Defense Department in history at a time when I will personally attest to the fact that it is more dangerous than it has ever been.

Senator AYOTTE. I thank you.

I think that it was mentioned by Senator Inhofe. I am a cosponsor, along with others on this panel, of a bill that would come up with some alternative savings to provide at least a resolution of sequestration for the end of this fiscal year. So there are many of us that are trying to work toward solutions. As Senator McCain mentioned, we did travel around the country over the last 16 months, having heard from all of you about the concerns about what this would do to our men and women in uniform.

I want to ask Admiral Ferguson about a particular impact and that is on the *Virginia*-class submarines and our attack submarine fleet. What do you believe will be the impact on that, number one, on the attack submarine fleet, the *Virginia*-class submarine, and also on our four public shipyards?

Admiral FERGUSON. Well, Senator, I believe that under a CR and sequestration, you will see us take action to defer the repairs of

Miami in Portsmouth Naval Shipyard. You will see us make every effort to preserve our undersea dominance. We have issued contracts in fiscal year 2013 for the submarines. Those will be unaffected in the procurement. However, there are longer-term consequences. For example, there is a Moore training ship that is affected by CR and sequestration that has an impact in training our future nuclear operators. In a few years, if we do not get authority to build that training ship, we will lose the production of 1,100 nuclear operators a year, for example. You will see us—by the end of this year with the hiring freeze, we lose about 350 workers a week, 1,400 a month out of our civilian industrial base, and we will be down 3,000 in our shipyards. If we furlough, we will furlough the workers in our shipyards which will cascade through on the work completion rates of the submarines and the ships going through overhaul in those public yards and really impact in a cascading way the readiness going forward.

Senator AYOTTE. I thank you, Admiral. I am sure my colleagues, certainly Senator Shaheen, Senator King, share my concerns about the impact and the importance of our shipyards and, of course, the important work done at the Portsmouth Naval Shipyard in maintaining our *Virginia*-class submarines. So I appreciate the insight that you provided us there, again another impact showing us why this is important that our men and women in uniform and our national security are not impacted by sequestration.

I have some additional follow-up questions. So I am hopeful that we will either have a second round or I will submit to all of you additional questions for the record, including, Secretary Carter, I would like to understand whether we are going to have to pay damages because of the OMB guidance that was issued on the WARN Act. So I will follow up with you on that.

[The information referred to follows:]

The Office of Management and Budget (OMB) guidance does not make the Department of Defense responsible for any additional liabilities; instead, the guidance applies existing Federal Acquisition Regulation (FAR) provisions to a specific question regarding Worker Adjustment and Retraining Notification (WARN) Act-related costs raised by the Federal contracting community, and it explains how governing cost principles would apply in those circumstances. Specifically, the guidance states that if sequestration occurs, an agency terminates or modifies a contract as a result of sequestration that necessitates that the contractor order a plant closure or mass layoff subject to WARN Act requirements, and the contractor has followed a course of action consistent with the Department of Labor's Training and Employment Guidance Letter No. 3–12 (the TEGL), then certain liability and litigation costs would be allowable and be covered by the contracting agency, if otherwise reasonable and allocable. This is an appropriate application of existing FAR provisions and reflects a fair and reasonable approach. As circumstances evolve, each contractor must make its own decisions with regard to sequestration's impact on its business and whether the requirement to issue WARN Act notices has been triggered. As made clear in the TEGL, if and when "specific closings or mass layoffs are reasonably foreseeable," notice would be required, and if a contractor failed to provide appropriate notice in that circumstance the relevant FAR principles may provide a different answer regarding the allowability of related costs.

I do not anticipate that application of the OMB guidance will result in any significant costs to the Department.

Chairman LEVIN. Thank you very much, Senator Ayotte.

Senator Udall.

Senator UDALL. Good morning, gentlemen. Thank you for being here.

It is clear from your testimony that sequestration will have very real threats to our national security. It would harm our military communities, and it would damage our military readiness. As always is the case, our soldiers, sailors, airmen, marines, and coastguardsmen will be the billpayers if we fail to meet our obligations.

I want to associate myself with the remarks of the Senator from Missouri. She is spot on. Many of us in both parties voted for the BCA in the summer of 2011 to avoid defaulting on our good credit rating. It is on our shoulders to put the national interest ahead of the petty partisan sniping that has been occurring in this town as regards to the sequester. I really want to say that, frankly, if we allow this kind of harm to be done to our country, it will not make a damn bit of difference who wins the majority in 2014. So let us solve this problem. If we cannot reach a compromise, then let us work with you all to mitigate the effects.

General Odierno, if I could, I would like to turn to the Army's training budget. I understand that if sequestration takes hold, that training above the battalion level will essentially stop except for units preparing for Afghanistan. My concern is, if you begin to see that take hold, there is a ripple effect that then might result in increased tour lengths for deployed troops. We have been really working on operational tempo. We have really been trying to increase the amount of dwell time. My concern is that we then break faith with our troops and the men and women in uniform if this takes hold. Could you speak to that?

General ODIERNO. Yes, Senator. Currently we have funded the next group of units that would go into Afghanistan. We cannot fund the group that comes after them, and that would be done in the later part of 2013. What that means is the initial replacements that go in in the beginning of 2014 are funded. Those who would come in later in the year are not. So it would take them much longer to be prepared. So we will have to make a decision somewhere along the line to either extend those already there or send people there that are not ready. I choose not to send people that will not be ready. That is the cascading impact we have, a real problem we have in the 2013 budget in terms of our operations and maintenance funds.

Senator UDALL. Thank you for that clarification. Another reason we have to get this right here in Congress.

General Welsh, if I could turn to you. Of course, we proudly host Space Command in Colorado Springs. Last week, you issued a press release that warned that sequestration could lead to major cuts to essential programs, and I want to quote here. "Reduce some missile warning and space surveillance 24/7 hour operations to 8 hours per day operations, impacting national missile warning, missile defense, space situational awareness, and the intelligence community." That would indicate that Space Command would not be able to fulfill their basic mission requirements if sequestration goes into effect. Is that an accurate assessment? How would ballistic missile warning, for example, be affected by reductions in space surveillance operations?

I would add I just walked through the anteroom, and of course, our friends in North Korea are at it again. They have just had an-

other test. You might speak specifically about that situation as well.

General WELSH. Thank you, Senator. Space Command actually in their space operating budget has the advantage of having a fairly wide latitude of where to take the money from under the cuts of sequestration. Compared to some of our other accounts, it actually gives them a little bit more freedom. So what they have done is they have removed—when you talk about going down to 8 hours a day at some of these sites, as opposed to 24 hours a day, what they have been able to do is do that in the sites that provide redundancy and provide extra capacity in their respective system.

So missile warning is not impacted. We still have the capacity to do that. That threat to the Nation can be detected, but the redundancy in that capability is what is now impacted in the background. It is the operating funds to power radar for 24 hours a day. When they are cut, we have to take that money from somewhere. We have taken it from the backup redundant part of the systems, the secondary capabilities of those major radars. That is what has actually happened, Senator.

Senator UDALL. Thank you for that clarification.

I see my time is up. I just again want to urge the Senate Armed Services Committee, which is known for bipartisanship, to lead the way on finding a compromise that could involve revenue, strengthening our entitlement programs, and some targeted spending cuts. We could do that on this committee and show the Senate the way forward.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator Udall.

Senator Fischer.

Senator FISCHER. Thank you, Mr. Chairman, and thank you, Ranking Member Inhofe.

First of all, I would like to begin by thanking all of you for your service, and I thank you on behalf of the people of this country. I would also like to recognize the men and women that you represent by being here today. Thank you.

I would like to visit with you some about our nuclear modernization and readiness. Dr. Carter, the President has committed to modernizing our nuclear deterrent and the cost estimates that were provided—I believe it was last year—by the Department were about $56 million in order to sustain and modernize that over 5 years and $126 million over 10 years. Is that still a good estimate? Do you believe that it is an affordable investment that Americans should be making in our deterrent capabilities?

Dr. CARTER. Well, we do need to have a safe, secure, and reliable nuclear deterrent, in my view, as far into the future as I can see. That does require that we have the scientists and engineering base, the facilities, and the life extension programs and other things we do to keep the nuclear arsenal going.

If the budget cuts that begin with sequestration and extend over 10 years are actually visited upon us over those 10 years, I cannot imagine that we will not have to also look at the nuclear part of our force structure in order to accommodate some of those savings. That is true also at the Department of Energy, which we do not

have responsibility for but does have responsibility for the nuclear arsenal. So they are going to get hit with budget cuts too.

The only thing I would say is that nuclear deterrence is pretty important. So it is the last thing that you want to do serious damage to. So I would imagine that the Department of Energy and the leadership there and certainly we in DOD will try to protect our nuclear capabilities to the maximum extent possible. But there may be some effects on some parts of it. General Welsh was just describing that. It is not critical. He is still able to do the mission but he is doing a little bit less than he used to do. I think you are going to see that even in the nuclear programs.

Senator FISCHER. We are looking at severe cuts to conventional forces, but if I am hearing you correctly, you would say that our nuclear deterrent then would be a national priority?

Dr. CARTER. I think it is a national priority. That does not mean that it will escape entirely the cuts of this magnitude. I would not say that. But it is something that we would value pretty highly because look at what the North Koreans are doing today and so forth.

Senator FISCHER. Exactly.

Dr. CARTER. We really have to have a safe, secure, and reliable nuclear deterrent.

Senator FISCHER. Thank you. I will have a follow-up question then in round two. Thank you.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator Fischer.

Senator Shaheen.

Senator SHAHEEN. Thank you, Mr. Chairman.

Chairman LEVIN. I am sorry. I misspoke. Senator Hagan.

Senator SHAHEEN. I thought you were going to let me get in there.

Chairman LEVIN. She slipped in in time. I apologize, Jeanne. Senator Hagan.

Senator HAGAN. Thank you, Mr. Chairman.

Gentlemen, I certainly do appreciate all of your service to our country, and thank you for your time today.

If the devastating impact of sequestration, which we have all heard and talked about, and the effects of a year-long CR are to be avoided in this late hour, I really do appreciate the candor that you have shared with us, and that certainly does play an important role.

I chair one of the subcommittees on this committee, the Emerging Threats and Capabilities Subcommittee, and I am very concerned about the possible impact of the sequestration and a full-year CR on our Special Operations Forces (SOF). North Carolina is the home to the headquarters of the U.S. Army's Special Operations Command, Joint Special Operations Command, and the Marine Corps Special Operations Command at Camp Lejeune, as well as thousands of special operators and their families.

Admiral McCraven has noted repeatedly that there is a greater demand for SOF today than at any point in our history, and as we prepare to draw down in Afghanistan, SOF will likely remain. Additionally, as long as al Qaeda and its affiliates remain a threat to our Nation, our special operators will remain engaged abroad.

I understand the combined impact of these issues could cut approximately 23 percent in the SOF operations and maintenance accounts and 9 percent in their investment accounts, essentially returning the command to fiscal year 2007 spending levels, or $2.4 billion below the budget request for fiscal year 2013.

Dr. Carter and General Dempsey, if these cuts go forward, how will they impact the readiness of our SOF?

Dr. CARTER. Well, it is devastating. I will let the chairman speak to it more.

But the reason that U.S. Special Operations Command gets hit especially hard is the same reason that General Odierno and the Army get hit especially hard, namely that they have a lot of funding in the overseas contingency operations account. That gets hit too by sequester. We have to protect the wars. So you protect the part of it that is working in Afghanistan right now or deployed right now. The rest of it has to pay a larger price.

Our strategy is not to shrink our SOF. Our strategy is to grow them. We said last year we were going to take $487 billion in cuts and that we could do that if we had a new strategy. Actually our plan is, still is, to grow our SOF. Now, all that is obviously in question because of sequestration, but if sequestration is averted and we get back on course, SOF will actually grow slightly, I think from 65,000 to 72,000 if I remember the numbers. I was just down at Fort Bragg a few weeks ago and discussing that with them. So it is a priority in our strategy.

Senator HAGAN. Well, it is a priority and we are counting on these individuals and we are really looking to the SOF. It just seems incongruous to me that we think we can count that at the same time we are looking at a 23 percent cut.

Dr. CARTER. I am with you.

General DEMPSEY. There is plenty of incongruity to go around on the topic of sequestration.

I would only add to what the Deputy Secretary said that in the first round of these cuts, the $487 billion BCA, we did advantage the special operations. But if sequestration occurs in the magnitude we are discussing, everybody will be affected because we have to maintain a joint force of conventional and unconventional capability.

Senator HAGAN. Well, obviously, the SOF do rely heavily, as you were saying, on the general purposes counterparts for the significant enabling support, including the intelligence, surveillance, reconnaissance (ISR), medical evacuation, and logistics.

General Odierno and Admiral Ferguson and General Amos, I am running out of time. As representative of our Military Services, how is sequestration and then the full-year CR—how would that impact your ability for your Services to provide these critical enabling capabilities to our SOF?

General ODIERNO. Senator Hagan, if I can go first. Again, as I said, it is a reduction in intelligence capability, training, reduction of our aviation training. So all of these will have an impact on providing much of the enabling support that we provide to SOF. We are going to lose 37,000 flying hours in fiscal year 2013. That will take a while to recover from as we have to go through and then revalidate and meet our gates for our pilots in order to support all

our forces, to include SOF. So they will be affected by the reductions that we face in the Army.

General AMOS. Senator Hagan, we stood up Marine Special Operations Command 6½ years at Camp Lejeune. The number of marines was planned to about 2,500. When I became the Commandant, we did a force structure review, as you remember, 2 years ago, and due to the requirements and the need in the real world, I agreed to grow that force another 1,000. We are not there. We are sitting at about 2,600 today. If sequestration and CR continue and persist especially over the next 10 years, it is unlikely that I will grow the force up to the extra 1,000 that I said. Certainly the equipment and the people will not be available.

Admiral FERGUSON. Senator, for us it is really two areas: people and platforms. So in the people area, we will continue to support the Navy Special Warfare Command and provide the enablers to them. But on the platform piece for the ISR, for the ships that they may operate from, the other units, you will see a decreased presence and a more difficult time doing the training and preparation for deployment because of sequestration and the CR.

Senator HAGAN. Thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator Hagan.

Here is where we are. The votes that were originally scheduled for 11 a.m. are now scheduled for 11:30 a.m., which means we can safely go to about 11:40 a.m., which means in turn that we ought to be able to completely finish our first round and hopefully have a couple, perhaps, second rounds if necessary, the goal now being to complete this hearing by 11:40 a.m.. It is now five after 11 a.m.

Senator INHOFE. Mr. Chairman, I think it would be good for our staff to make sure that their member knows that so they can come down here.

Chairman LEVIN. I would ask our staff, at that suggestion, to notify our members that there may be a few minutes for a few second rounds. So if they are interested, they should let us know.

The meeting of our committee on the Hagel nomination that was scheduled at 2:30 p.m. will begin now at 2:45 p.m. because we have two votes at 2:15 p.m. Two votes at 2:15 p.m. this afternoon. So after consulting with Senator Inhofe, we are going to begin our meeting this afternoon at 2:45 p.m. instead of 2:30 p.m. I would ask everybody to vote early in that second vote so we can begin promptly at 2:45 p.m. this afternoon.

Now I am going to call on Senator Graham and then I am going to go to Senator Shaheen. Senator Graham?

Senator GRAHAM. Thank you all, gentlemen, for coming.

Mr. Chairman, thank you for having this hearing. I cannot think of a better topic to be talking about.

Have you run out of adjectives to tell us how bad this is?

General DEMPSEY. Senator, I have a degree in English from Duke University, and the answer is yes. [Laughter.]

Senator GRAHAM. I do not know what it is going to take, guys, but just keep trying.

Maybe bases closing seems to get everybody's attention in Congress. From a Navy perspective, if sequestration is fully implemented, will we have less naval bases?

Admiral FERGUSON. Well, Senator, that falls under the base closure and realignment process.

Senator GRAHAM. How many ships will we have?

Admiral FERGUSON. If sequestration is enacted with the discretionary budget caps over the 9-year period, we anticipate the fleet shrinking by approximately 50 ships and at least two carrier strike groups and a proportional number of amphibious ready groups.

Senator GRAHAM. In English, how many is that?

Admiral FERGUSON. 220 to 230.

Senator GRAHAM. All right.

The Air Force. Are we going to have less airplanes?

General WELSH. We will have to have less airplanes, Senator.

Senator GRAHAM. What happens to the F–35?

General WELSH. It depends on what the top line is going forward. Short-term, it is one to two airplanes this year——

Senator GRAHAM. Well, let us say sequestration fully goes into effect.

General WELSH. We are going to have to look completely at the program.

Senator GRAHAM. I mean, it is going to be hard to modernize. Right?

General WELSH. It is going to be impossible to modernize the way we currently would like to.

Senator GRAHAM. Would that make it more difficult to go into a situation like an attack on Iran to prevent their nuclear program in the future?

General WELSH. Yes, sir. Our "kick in the door" capability would be impacted.

Senator GRAHAM. From the Army point of view, General Odierno, will we eventually have less Army bases?

General ODIERNO. We will definitely have less brigade combat teams, about a 40 percent reduction with sequestration.

Senator GRAHAM. Okay, a 40 percent reduction in combat power.

General ODIERNO. We will have to look at closing bases if we do this.

Senator GRAHAM. Okay.

Has anybody thought about resigning in protest?

General DEMPSEY. You ask me that a lot, Senator. I do not know if you are trying to send me a message.

Senator GRAHAM. No. I do not want you to resign. [Laughter.]

I just want to make this real to people up here. I mean, we are putting you in an almost untenable position.

General DEMPSEY. Well, your point is a good one. Look, none of us walk away or run away from a crisis or a fight. That is not our nature. But I will tell you personally if ever the force is so degraded and so unready and then we are asked to use it, it would be immoral to use the force unless it is well-trained, well-led, and well-equipped.

Senator GRAHAM. Are we on the path to creating that dilemma?

General DEMPSEY. We are on that path.

Senator GRAHAM. So please understand that, colleagues. We are on the path of requiring our military in the future to protect us in a circumstance where they know they do not have the ability, given what we are doing to the training and the readiness of the force.

General Dempsey, I cannot say it any better. Do all of you agree with that general statement? Would you please say yes or no into the mike?

General ODIERNO. Yes.

General AMOS. Yes.

General GRASS. Yes.

General WELSH. Yes.

Admiral FERGUSON. Yes.

Senator GRAHAM. Thank you all for your service.

Chairman LEVIN. Thank you very much, Senator Graham.

Senator Graham, before you leave, your question, as I understand it, an extremely good one, you referred to the current 9-year sequestration.

Senator GRAHAM. Yes. We are on the path.

Chairman LEVIN. Right.

Senator GRAHAM. Yes, sir. That is a good point, Mr. Chairman. Sequestration is putting us onto a path of putting our military leaders in a great moral dilemma knowing they cannot send people into battle who are not ready, knowing that people are going to die unnecessarily. That is sort of the issue.

Chairman LEVIN. I understood that and I very much agree with that, but I just wanted to make sure that that was the 9-year sequestration.

Senator GRAHAM. Yes, sir, the 9-year path. Yes, sir.

Chairman LEVIN. It is bad enough. The first year part of it is plenty bad enough.

Senator GRAHAM. Right, I agree.

Chairman LEVIN. Okay.

Senator Shaheen.

Senator SHAHEEN. Thank you, Mr. Chairman.

Again, thank you all very much for being here and for your candor in terms of your response to what has clearly been irresponsible on the part of Congress.

I voted for the BCA, as did the majority of my colleagues in the Senate and the majority in the House, because I thought we were going to be responsible about how we then responded to coming up with a long-term solution to address this country's debt and deficits. The fact that we have not I think means that each and every one of us in Congress should take a second look at what our jobs are in this body.

The fact is we can come up with a long-term solution that avoids the impact of sequestration, that avoids the devastating toll that all of you are talking about this morning on our military and on our defense. But in order to do that, we have all got to put aside some of our sacred cows and be flexible. We have to look at the entire budget. We have to look at spending. We have to look at revenues, and we have to look at our mandatory programs. I can pledge to you that I will do everything I can to be flexible about that and to be willing to look at all of the options that we have to get a solution because this is not just, as you point out, about our military readiness and about this country's national security. It is also about the future of the economy of this country. Anybody who looked at those economic numbers from the fourth quarter has to understand that if we continue on the path we are on, we are going

to put the economic growth of this country and everything that means in terms of unemployment and impact to defense and all the other sectors of our economy—we are going to put that back at risk.

So I can understand your frustration. I share it. I do not blame you one bit.

Now, I have a question. You have talked—and I think very eloquently—about the impact on our men and women who are serving and on our security. But I want you, if you would, to talk a little bit more about the impact on this country's industrial base because I know that we have heard from some of the small businesses in New Hampshire. There has been one firm quoted as saying that 20,000 small businesses in its pipeline would be affected if these cuts are not addressed. I wonder if you could elaborate on the potential reversibility of sequestration with respect to our defense industrial base and its small businesses. Secretary Carter?

Dr. CARTER. Thank you for the question because this has a very serious impact. I talked about the larger companies are telling me that they are, as I said, maintaining more liquidity, not making internal investments in defense. But they have a capital structure that allows them to survive. Remember that 60 to 70 cents of every dollar that we contract ends up in a subcontractor, and many of these are small businesses that do not have the capital structure to be able to withstand blows and be turned on and off and so forth. So I am concerned and our industry partners are concerned that some of them just are not going to make it, and then you do not have a supplier for a critical component. So both the magnitude and the abruptness of these impacts and also just the uncertainty that looms over these little companies—and small businesses are important to us because they are at the source of a lot of innovation, and they bring new ideas, new people into the defense field, which we need. So many of our most dynamic, new ideas, new systems and so forth originate in small businesses. So we are concerned about the health of the so-called lower tiers of the industrial base as we make this adjustment.

Admiral FERGUSON. Senator, if I might add, another concern for the Navy is the people involved in repairing the ships, the very highly skilled craftsmen and tradesmen. It takes years to develop a nuclear welder, for example—that we could lose those skills when the works go away and they have to find employment or they are furloughed. They may make a choice to retire or leave Federal service, and so there is that aspect.

But then the secondary one is we have many sole-source suppliers, that if we cut off the development and the construction of these systems, they do not have any work for them since they are single source for some critical components.

Senator SHAHEEN. So that could have a significant impact on jobs and the economy that is dependent on——

Admiral FERGUSON. Right. Jobs but also the ability to reconstitute the industrial base and the ability, in response to a crisis, to ramp up in the future.

Senator SHAHEEN. Well, obviously, I share Senator Ayotte and Senator King's concern. We are seeing that already at Portsmouth Naval Shipyard, the potential impact that this could have.

So thank you all very much.

Chairman LEVIN. Thank you, Senator Shaheen.

Senator Blunt.

Senator BLUNT. Thank you, Mr. Chairman.

On that, let us talk about jobs and the workforce for a little bit. Admiral Ferguson, just to be sure I understand what you are saying, that if the shipyard people get furloughed, your view is that some of them eventually decide this is not my long-term career path?

Admiral FERGUSON. I think that is the potential outcome, Senator.

Senator BLUNT. General Welsh, I asked the other day about the F–18 line in St. Louis because that is the big line I am the most familiar with. We have lots of little defense contractors in Missouri. I did a tour of some of these businesses last year. As I recall, one of them was out in the country, and the office had at one time been a dairy barn. Everything is run by computer, very sophisticated, very purposeful, but of course, if they do not have that contract, I am sure they are not conditioned in a way that allows them to just wait. That business would go away.

But what about the big lines, General Welsh? I have always been told that if that ever goes away—that is why some of our foreign military sales were so important, to keep the lines open. What are your concerns if you all have to say we are not going to be able to follow through with our plan for the number of planes that we have ordered?

General WELSH. Sir, some of the major defense contractors have the ability to absorb some of that workforce into their public side of the house. Boeing is an example with a very large public aircraft production capacity.

Where we are facing a more immediate problem with sequestration, especially just for the remainder of this year is in our depot maintenance workforce. If we stop, for example, the 150 airplanes and 85 engines I mentioned not going into depot if sequestration occurs for the remainder of this fiscal year, we will not just furlough the workforce that is there working in the depot maintenance facilities, but the workload will also stop. Many of the small business contracts that provide parts and people to come in and do specialized work as part of that depot maintenance will really start to go——

Senator BLUNT. So this would be a furlough not because you are furloughing people because of sequestration, because you are furloughing people that sequestration meant they did not have any work to do.

General WELSH. Yes, sir. It will be both.

Senator BLUNT. Let us talk about the other part of that furlough. General Grass, you and I visited the other day. Some of your uniformed personnel, because of the way you function uniquely where you have civilians wearing a uniform at things like the Aviation Classification Repair Activity Depot, but on your civilian personnel, what are you thinking you would have to do in terms of just telling them not to show up for work a certain number of days for the next 6 months?

General GRASS. Senator, if full sequestration were to kick in—and some of the information we have passed on to the adjutant generals right now to plan on is 1 day a week maximum for the rest of the fiscal year, starting probably in April. Again, we have not implemented that. We are taking a look at that. What it really means especially for the National Guard is the bulk of our maintenance is completed each day by our civilian technicians, the ones that wear a uniform to work each day. As we begin to draw those down for that time period, we begin to see a decrement in our readiness of our armories across the Nation. I just did a study the other day and looked at a 10 percent reduction of our rolling stock and our aviation here within the next 6 months. That is on top of already a depot shutdown that is going to cause us problems.

Senator BLUNT. I may have some more questions just in writing on furloughs generally.

Secretary Carter, I have one last question. I am out of time. But I appreciated your sense that even if you are given some flexibility, now the time is so short and what money is left, that might not do what you need to have done. Were you asked, when you submitted your budget, to submit an alternative for the sequestration number for next year?

Dr. CARTER. No, we were not. We were asked to prepare the 2014 budget according to the fiscal guidance that we were given late last year.

Senator BLUNT. All right. Thank you.

Chairman LEVIN. Thank you, Senator Blunt.

Now Senator Blumenthal is kindly willing to yield to Senator Nelson for a question.

Senator NELSON. Mr. Secretary, how do you think the U.S. should respond to this dangerous and unprecedented action by North Korea?

Dr. CARTER. Well, there is nothing more provocative than what the North Koreans did. I do not know if they did it to coincide with the State of the Union. They had several other holidays this week they could have taken advantage of. They tend to like to do this on holidays.

But in all seriousness, it is very dangerous. We will take action to condemn and get the rest of the international community to condemn this test by North Korea. I am particularly looking to China, of course, to join in that condemnation. They have a pivotal role in influencing the future here for North Korea. That is an extremely dangerous situation for us. The Chinese have significant influence over it, and we need them to use it.

Chairman LEVIN. Thank you.

Senator Blumenthal.

Senator BLUMENTHAL. Thank you, Mr. Chairman.

Thank each and all of you for your service to the country and your extraordinary performance under very, very difficult conditions, not only fiscal conditions but obviously the Nation remains at war, and your caring for the men and women in uniform has impressed me beyond words. Your dedication to them, whether it is health care or family. We often say here that our people are our most important asset, and you have lived that concept in the way you have led by example. I am very, very grateful to you.

On that score, I want to ask you, Secretary Carter, in terms of people, you outline in your testimony the effects on TRICARE of the sequester, that it may mean cuts of $2 billion to $3 billion and that our health system for our military men and women may not be able to pay its bills. Can you tell us just very briefly what you see the effects of our potential sequester on health care for our men and women in uniform?

Dr. CARTER. Yes, I will say something and perhaps I can ask Secretary Hale to add to that.

But you are exactly right. Under this scenario that we all fear so much, by the time we get to the end of the year, we are out of money. It is very hard to cut back health care the way you can cut back depot maintenance or training because you cannot just tell people they cannot be sick or they cannot see a doctor. You can do a little of that with elective procedures and so forth. But the reality is that by the end of the year we are, by our estimates, a few billion dollars short, and that will mean either trying to kick bills into the next year or we are going to have to simply cut back on the care we can provide.

Let me ask Secretary Hale.

Mr. HALE. Just briefly. We are actively looking for a way around what I view as a crisis, and it may be that the best way by far would be to detrigger this. You heard it repeatedly but let me just add my voice to that. We need to not do this.

Senator BLUMENTHAL. My understanding is that the Navy is continuing with its program of two submarines per year, including 2014, Admiral Ferguson. Is that correct?

Admiral FERGUSON. Only in 2013. The 2014—we do not have an appropriations bill and that issue is unresolved for the multi-year for that submarine. So the two boats in 2013 are under contract and proceeding. It is questionable, based on the outcome of congressional action on both our budget request and the appropriate authorities.

Senator BLUMENTHAL. I am very concerned, as my colleagues have said, about the effect on our defense industrial base, our workforce, our skilled working men and women who build the Joint Strike Fighter or submarines or helicopters that they do in Connecticut or all around the United States and retaining that workforce if we are faced with sequester.

So again, I thank all of you for your service, and I hope we will be able to surmount that problem. Thank you.

Dr. CARTER. Mr. Chairman, just on that point, we have talked a lot about furloughs, and it is just worth noting that we need to find $46 billion under sequestration between now and the end of the year. Furloughing everybody, all of our 800,000 employees, for the maximum allowable under the law gets $5 billion. Even if we do that, we still have $41 billion to go. That $41 billion shows up in contracted services. That is where the money will come from. It will affect all those people who work for us, that is, work for national defense, but they are not employees of DOD. There are millions of such people and we do depend on them. They build our systems. They provide some of the expertise that we cannot keep in-house. That $41 billion—much of that will go to cutting their work for us.

General ODIERNO. If I could just add to that.

Senator BLUMENTHAL. Yes, General.

General ODIERNO. In the Army, we are going to have to reduce purchase order to over 3,000 small companies. Our assessment tells us 1,100 of those are then at moderate to high risk of bankruptcy if we have to execute this this year. Then you are not even talking about the impacts of the small companies that exist around all of our large installations that are dependent upon the support of the installations as we continue to reduce the dollars that are being spent at every one of our installations.

Then in our own industrial base, the depots—we said we are going to cut 5,000, but we actually believe if sequestration goes into effect, it will be well over 10,000, if we end up having to move out of depots in the out-years. So the impact on our civilian team that we have built between our depots and our civilian assistance that we get from contractors will be quite significant, and it will really, from an Army perspective, hit the small companies, which I think is devastating for us as we move forward.

Senator BLUMENTHAL. That is very important and I thank you. Thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator Blumenthal.

Now, before I call on Senator Donnelly, there have been a number of questions for the record that have been referred to and there will be additional ones I am sure. We would ask our witnesses, because of the shortness of time before that sequestration threat is executed, that you respond to those questions within 5 days. Thank you.

Senator Donnelly.

Senator DONNELLY. Thank you, Mr. Chairman.

I want to thank all of you for your service to our country.

General Grass, obviously in Indiana we have a large National Guard presence. You touched upon it briefly, but I was wondering if you could detail, in terms of our National Guard, the impact that sequestration will have as we move forward.

General GRASS. Senator Donnelly, the major impact in the near term of sequestration will be the reduction in our maintenance, and our maintenance readiness will decline drastically which will require us to park vehicles. As General Odierno has mentioned, we are so closely tied in the Army side with the contracts that they have in their depot maintenance, and a lot of our equipment returning from overseas—there is already a backlog.

In addition to that, then if we furlough or if we have a hiring freeze, we will go ahead and we will reduce the amount of maintainers at the armory level in hometown America, which further degrades our ability just through annual services, nothing else.

With that, that time to respond to the disaster in your home States begins to increase. We had 2,500 guardsmen from 4 States this past weekend that responded. We will be able to continue to do the smaller ones. I am very concerned about the most regional long disasters, the catastrophic and complex catastrophes.

Senator DONNELLY. Thank you very much.

Mr. Secretary, this is for you or General Dempsey. Do you have a number you can live with in terms of reductions? $487 billion is too high. What is a number that you can live with?

Dr. CARTER. We have said we can live with $487 billion, and we worked very hard last year to accommodate an adjustment that large. As I said, that cut was on top of the cuts that Secretary Gates imposed, which were another several hundred billion dollars. So we understand that we need to play a role in deficit reduction. We understand that the country cannot afford to give us the amount of money they have been over the last 10 to 11 years. What we are saying here today is that we were able to do that, but we are now on the edge in many of our capability areas, and the suddenness, the scale, and the arbitrariness of sequester is what causes all these effects that you have heard about today.

General DEMPSEY. I would just add and the magnitude. The magnitude of another half trillion dollars over 10 years on top of the $487 billion and on top of the Gates era efficiencies will put the current strategy at risk—not at risk. It will make it infeasible. So the question back to you will be what strategy will you as a member of the committee and the Congress of the United States be willing to live with, which will be a degraded capability from what we provide today. We will owe you that discussion. But any additional cuts will change the strategy.

Senator DONNELLY. I just want to ask real quick. In terms of suicide prevention programs, we lost, as I mentioned last week, more young men and women to suicide in the past year than we lost in Afghanistan. I was wondering the effect of sequestration on those programs, the mental health programs.

General ODIERNO. Sequestration has an impact on everything. We have invested a lot of money and effort and time in trying to build resiliency and trying to get after the issues we have with suicide and many other issues. We have counselors that we have increased significantly in every one of our installations that help our families and our soldiers to work through coping mechanisms and problems that they have. But that will all be affected. We will not be able to afford the numbers of counselors that we have today. That is just simple. We cannot do it. That is one of our high priorities. We will try to sustain it at the highest level possible as we go forward, but it will have to take a reduction. This is serious business. Although the effort we have put into it, we have not yet put a dent into our suicide problem, and so this is of deep concern to all of us as we move forward.

It also impacts our other critical family programs that have helped us over the many years as our families have sacrificed so much over the last 10 to 12 years. Those will have to be reduced as well.

So we are looking at this very carefully to find where the critical ones are and where the ones that are still important and not as critical. But in every case, we will have to reduce the size of all these programs.

Senator DONNELLY. Thank you all for your service.

Chairman LEVIN. Thank you very much, Senator Donnelly.

Senator King.

Senator KING. Thank you, Mr. Chairman.

Thank you, gentlemen.

This hearing must feel bizarre to you guys. It is one of the most strange hearings I have ever been in where a portion of the U.S.

Government is talking about essentially going out of business because of decisions made somewhere else in the Government. Senator McCain talked about it being Orwellian. I would say it is more Alice in Wonderland. It is a very strange situation.

Mr. Carter, I am so glad you used the word "dumb" because that was the word that was in my notes. So you have given me license to use it. This whole thing is dumb. It is an arbitrary date. It means nothing. March 1st has nothing to do with what is going on in the economy or the credit of the United States or anything else. It is a totally self-imposed deadline.

The impacts will be drastic. In my small State of Maine, 7,000 jobs is the calculation. George Mason University has just done a study of what the impacts of this will be State by State, and I commend it to my colleagues. They estimate 7,000 jobs in Maine, 4,000 in the defense sector at places like Bath Iron Works, Portsmouth Naval Shipyard. It is a disaster, and it is a self-imposed disaster that we do not have to do.

It is also hitting the wrong targets. Your budget as a percentage of gross domestic product (GDP) is relatively stable and in fact has been declining. Nondefense discretionary spending as a percentage of GDP is at the lowest level it has ever been in 50 years. The growth in our budget over time and the deficit problem relates mostly to health care. The sequester has nothing to do with that whatsoever, and we have to be having that discussion.

It is also terrible timing because it is hitting at a time of a fragile economy. I do not know if it can push us back into recession, but it certainly will not help with these thousands of layoffs and furloughs around the country. It is certainly going to kill the confidence of the economy in this institution of the U.S. Government that we can make decisions on a timely basis and respond to these problems intelligently and not with a blunt instrument.

I believe, as some of you have testified today, it will increase long-term costs. In the Navy, for example, by getting rid of multiyear procurements, the ships which we ultimately need are going to cost more. Deferred maintenance is not savings. It has to be done eventually. That is exactly what is going to happen here.

So I would again associate my comments with those of Senator McCain.

I think there is one person that can help us resolve this and that is the President of the United States. I think he has to precipitate a solution. If I were him—and believe me, there is no chance that is ever going to happen—but if I were him, I would have the helicopter running on the lawn of the Capitol this evening, take the leadership of Congress and the leadership of this committee to Camp David and say you have 3 or 4 days, guys. Nobody leaves—men and women—until we get this thing solved. I hope he takes the initiative because right now we are slouching toward a catastrophe for this country both in terms of its economy, in terms of its military readiness.

I thank you for what you have done today, and hopefully what you have given us will have some impact throughout Congress and at the other end of Pennsylvania Avenue because we can solve this. It is ridiculous to be at this stage at this time given the seriousness of the danger.

Thank you very much.

Chairman LEVIN. Thank you very much, Senator King.

Now, here is the order of battle. We have Senator Hirono, Senator Gillibrand, Senator Manchin on our side that we know about. I suggested to Senator Manchin that he go vote on the first vote and try to come back so that he can have his turn. It is now Senator Hirono and then Senator Gillibrand. If you could stick to 3 minutes, everybody, we may be able to pull this off.

Senator HIRONO. Of course, I join all my colleagues in thanking our distinguished panel.

I think it is abundantly clear that we need to avoid sequestration because the harm to our military, as well as on the civilian side, and the non-military spending will be quite devastating.

Secretary Carter, I was very struck by your saying very clearly that this is a self-inflicted situation and brought about by political gridlock. So it is going to take us sitting here, along with the President, to get out of this gridlock.

I know that there are many potential threats that we face in the world today, including many in the Asia-Pacific theater, and only this morning we learned of actions taken by North Korea that are very troubling. I believe that the administration is correct in talking about rebalancing with an emphasis to the Asia-Pacific theater. Secretary Panetta last week said that a sequester would cut naval operations in the Pacific by a third.

General Odierno, I would like to ask you about the impacts on the Army's ability to carry out missions in the U.S. Pacific Command (PACOM) area of responsibility if sequester cuts are put in place.

General ODIERNO. Thank you, ma'am.

First, as I talked about 80 percent of our force having to stop training this year, that includes our forces in Hawaii. That includes our forces at Fort Lewis who are in PACOM. So there will be significantly degraded capabilities that they would have to respond to anything that goes on within PACOM.

Additionally, the Army is responsible for providing a significant amount of communications support, intelligence support, and logistical support to the PACOM theater. Their ability to do that will also be affected by sequestration, specifically in fiscal year 2013 but beyond.

We have tried to fence our capability in Korea to make sure they are at the highest readiness level. We will continue to do that. But the cuts in family programs, cuts in soldier programs, cuts in our civilians will also impact Korea as well.

So for us, it has a significant impact on our ability to operate in the Pacific for the next several years.

Senator HIRONO. For General Dempsey, I am glad that we are going to protect wounded warrior programs because that is one of the more, I would say, important programs to enable our people coming back from Iraq and Afghanistan to be able to transition back into civilian life.

But I think there was mention about other programs such as counseling, family-related programs. How would those kinds of programs that support our servicemembers and their families be negatively impacted by sequestration?

General DEMPSEY. Thanks, Senator.

I should mention, by the way, in addition to the effect in the Pacific of the Army, we are in the process of moving significant U.S. Marine Corps forces into the Pacific. General Amos can speak to that.

Think of it this way. Base operations, that is to say the support services, whether it is any of the things you mentioned or teachers in the clinics or teachers in the schools, medical professionals in clinics—about 30 percent of base operations will be degraded.

Senator HIRONO. Thank you. My time is up.

Chairman LEVIN. Okay. Now, we alternate here. So it goes to Senator Lee next. I would suggest—these are 3-minute questions. So please, if you would, Senator Lee, stick right to that so Senator Gillibrand will be next.

Senator LEE. Great. Thank you very much, Mr. Chairman, and I will be as brief as I can possibly be here.

In December 2012, Senator Chuck Hagel, the nominee to become the Secretary of Defense, sat for an interview with the Financial Times. When he was asked about outgoing Secretary Panetta's comments that budget sequestration would be disastrous to national defense, Senator Hagel replied as follows. "DOD, I think in many ways, has been bloated. The Defense Department has gotten everything it has wanted the last 10 years and more. We have taken priorities. We have taken dollars. We have taken programs. We have taken policies out of the State Department, out of a number of other departments and put them over in Defense. The abuse and waste and the fraud is astounding. I think the Pentagon needs to be pared down. I think we need the Pentagon to look at their own priorities."

We are pressed for time. So I would, if I could, like to have each of the Joint Chiefs go down the line and just briefly, if you can answer with a yes or no, answer whether you agree with this general characterization that Senator Hagel made. That would be great.

Dr. CARTER. I am not a member of the Joint Chiefs, but let me try. It is a good question. It is a fair question. I cannot speak for Senator Hagel, but my interpretation of that is along the lines of something that Secretary Gates used to say which was that we had accumulated over the decade post-September 11, 2001, when our budget kept going up every year—and I said this, by the way, when I was Under Secretary for Acquisition, Technology, and Logistics. When your budget goes up year in and year out, I think it is fair to say that when you had a management problem—all of our managers—it was easy to reach for more money to solve your management problem, whether it is a technical problem in a program or something like that. So it was noticeable to me when I was Under Secretary for Acquisition, Technology, and Logistics that in some places that habit had accumulated over the decade.

That is why Secretary Gates started his efficiency initiative, which I was part of, and our efforts to reform the acquisition system and to improve our performance. In parallel, we have absorbed $487 billion in budget cut in a way where I think we all said we could still accomplish the mission of the Nation. That speaks to the fact that we could do what the country needed with less. So we have made that accommodation.

What we are saying today is we cannot do that strategy if there are further cuts. So we have accommodated a substantial budget adjustment relative to a few years ago. We have tried to do it in a strategic way. But what we are saying today is we cannot take another major cut and sustain that strategy.

Senator LEE. Thank you. I see my time has expired. In deference to my friend from New York, I will defer. I will say it does appear to be somewhat inconsistent with Senator Hagel's statement since it was made just recently, just in December. Thank you.

Senator GILLIBRAND [presiding]. Thank you, Mr. Ranking Member.

Thank you for your testimony. It is incredibly distressing to hear the statements that you have made today. As the Senator from New York, I am very troubled about emerging threats as New York City is one of the top terror targets. We have two missions for weapons of mass destruction under the National Guard. Cutting those programs obviously puts us at great risk. We have a lot of National Guard contingencies and operations throughout the State, which is essential for recovery efforts. We saw what an amazing job they did during Hurricane Sandy. So I am very concerned that with these kind of cuts, we are exposing ourselves to very grave vulnerabilities.

I also have concerns about cyber, and the cyber threat is obviously one of our gravest emerging threats. We do a lot of work for them in Rome Labs.

I am worried about our training. Obviously, Fort Drum is one of the premier training operations we have for the Army, and we need to keep those resources available.

I would like you to briefly talk about, if you can quantify, how are our risks now elevated because of these cuts.

General DEMPSEY. Well, Senator, let me answer briefly and see if one of the chiefs, in the terms of their service, want to respond.

You asked exactly the right question. How is risk elevated? So what we provide is a deterrent against our enemies and assurance of our allies, and then where we cannot do as much deterrence or assurance as we think we need, we talk about risk. We are going to be less forward. We will have less forces to provide that assurance, meaning risk goes up and we could find ourselves, as I describe it, vulnerable to coercion.

But let me see if any of the chiefs want to comment.

General GRASS. Senator, I do applaud the great work of New York throughout Sandy as well as this past weekend.

My real concern for the National Guard is, as we continue to draw down in our ability to go train at regional hubs or also in the training centers, we will reduce the proficiency of our leaders and also of our operators. Many times when we respond to a situation like Hurricane Sandy, those pilots flying those helicopters are really in extreme conditions, and we will degrade their ability to fly.

Senator INHOFE. Senator Gillibrand, Senator Lee has asked that you answer the question that he asked the service chiefs, answer the question for the record so I have that.

I am sorry for the interruption, Senator Gillibrand.

Senator GILLIBRAND. Then my second question is obviously as we are looking at emerging threats worldwide, al Qaeda has truly me-

tastasized. It obviously needed Afghanistan as its base of operations to train and plan September 11. Since al Qaeda is now remotely operated worldwide, we have a presence in Somalia, Yemen, Mali, all over the world. I know the President is intending to announce his decisions with drawing down troops. It has been rumored to be released shortly, pulling troops, about 34,000, out of Afghanistan.

Do you imagine that having a lighter footprint long-term to be able to deal with these threats worldwide will be something that you will recommend and as a way also to shift how we spend money and in what way?

Dr. CARTER. I will comment on that and ask the Chairman or anyone else.

It is part of our strategy—this is pre-sequester—to maintain what we call, exactly as you said, light footprint presence in many parts of the world where terrorist groups could seek a safe haven. That is exactly part of our strategy. You do see that going on. It is part of the special operations force structure decisions that we were discussing earlier with Senator Hagan, namely our decision, if sequester does not go through of course, to maintain and even slightly increase the number of SOF so that they can maintain that wider global footprint as things in Afghanistan wind down.

Let me ask the chairman.

General DEMPSEY. Yes. The only thing I would add, Senator, is the question you asked is exactly what this group at the table does. The Joint Chiefs are responsible for balancing global responsibilities, for looking at ways to do things, sometimes directly ourselves, sometimes through partners in a region. I think what you are hearing today is that our ability to do that is going to be called into doubt given the effects of sequestration.

Senator GILLIBRAND. Thank you, gentlemen.

We are going to call a short recess, this hearing will recess until the chairman returns. Thank you. [Recess.]

Chairman LEVIN [presiding]. We will come back to order.

Senator Manchin, who has been here all morning, will put his questions in the record. He has kindly consented to do that.

I want to thank our panel for their very powerful testimony this morning. It is incumbent upon those of us that are elected to do the country's business that we avoid sequestration, that we avoid the year-long CR as well. These are mindless, irrational activities. They are not intended to become operative. They are intended to force us, kind of an action-forcing mechanism to do what needs to be done, and hopefully they can still perform that role. But as of right now, that threat remains.

It is incumbent upon Congress and the President to remove that threat. I will say both threats because they are both real threats to the well-being of this country both in terms of our security but also in terms of so many other important programs that the Federal Government helps to fund.

So, again, we will appreciate answers within 5 days of these questions because of the time constraints that we have. We are grateful to you for your service and for those with whom you serve, for their service and their families.

We will stand adjourned.

[Questions for the record with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR BILL NELSON

U.S. SOUTHERN COMMAND COUNTERDRUG MISSION

1. Senator NELSON. Secretary Carter, Admiral Ferguson, 2 weeks ago, I met with General Kelly to discuss the impacts of sequestration and the continuing resolution (CR) on U.S. Southern Command (SOUTHCOM). Drug interdiction on the high seas accounts for the removal of 200 tons of cocaine from the U.S. supply, which is 10 times that which is removed by U.S. law enforcement. Can you confirm that SOUTHCOM will not have the Navy assets available for interdiction in the Caribbean as a result of sequestration and the CR?

Secretary CARTER. Under sequestration, the Navy will reduce the numbers of ships and aircraft deployed. The Navy has reported this includes stopping all deployments to the Caribbean and South America.

Admiral FERGUSON. In the event that sequestration is triggered, the Navy's Fleet Response Plan (FRP) will lose its inherent flexibility to generate trained and ready forces due to a lack of funding. Non-Major Combat Operations will be the first to be cut which includes the SOUTHCOM counternarcotics mission set.

Sequestration deployment cancelations were prioritized using the Force Allocation Decision Matrix. Deployments to SOUTHCOM for drug interdiction missions were a lower priority than other operational requirements.

Sequestration and the CR render us unable to continue our current or anticipated level of operations; therefore we are compelled to cancel five of six fiscal year 2013 ship deployments (including USNS *Comfort*) and stop all aircraft deployments in South America, stopping efforts that interdicted hundreds of tons of illegal drugs in the United States in 2012.

SHIP MAINTENANCE AVAILABILITIES

2. Senator NELSON. Admiral Ferguson, the Chief of Naval Operations (CNO) has called for cancelations of third and fourth quarter ship availabilities at the Nation's private shipyards. 23 canceled availabilities worth $604 million. Has the Navy analyzed the ability of industry to absorb this loss?

Admiral FERGUSON. Analysis of the impacts of cancelled availabilities is in progress. On February 15, 2013, Navy notified private-sector ship repair contractors of potential cancellations of third and fourth quarter ship maintenance availabilities and requested feedback concerning the likely impacts of the cancellations.

While the Navy is committed to conducting the required maintenance on each of our ships, the simple fact is that under the current CR and sequestration law, the Navy does not have the funds necessary to get through the remainder of the year. Therefore, we are faced with a choice between potentially canceling these maintenance availabilities, regardless of the second order impacts of those cancellations, or mortgaging the readiness of our forward deployed forces who are actively engaged in combat operations. That said, we have not cancelled any availabilities yet—if Congress passes an Appropriations bill before 1 March, we will avoid having to make these difficult choices.

AMPHIBIOUS READY GROUP MOVE

3. Senator NELSON. Admiral Ferguson, current plans call for the Navy to move an Amphibious Ready Group (LPD 21, LHD 7, LSD 43) from Virginia to Mayport, FL, starting with the USS *New York* (LPD 21) in the fourth quarter of calendar year 2013. LHD 7 and LSD 43 are scheduled to arrive in calendar year 2014. Under sequestration, would this move go forward?

Admiral FERGUSON. The Iwo Jima amphibious readiness group (ARG), comprised of three ships, USS *Iwo Jima* (LHD 7), USS *New York* (LPD 21), and USS *Fort McHenry* (LSD 43), is currently planned to change homeports from Norfolk, VA to Mayport, FL. While homeport adjustments programmed for fiscal year 2013 or fiscal year 2014 could incur delays due to maintenance, personnel moves, and operational schedule changes resulting from sequestration, the Navy remains committed to our plan to transfer an ARG to Mayport in fiscal year 2014.

4. Senator NELSON. Admiral Ferguson, if yes, will the timeline change?

Admiral FERGUSON. Homeport adjustments programmed for fiscal year 2013 or fiscal year 2014 could incur delays due to personnel moves, maintenance and oper-

ational schedule changes resulting from sequestration. The Navy's current Iwo Jima ARG transfer timeline is the USS *New York* (LPD 21) in the first quarter of fiscal year 2014, and the USS *Iwo Jima* (LHD 7) and USS *Fort McHenry* (LSD 43) in the fourth quarter fiscal year 2014.

5. Senator NELSON. Admiral Ferguson, under a full year CR, would this move go forward?

Admiral FERGUSON. While homeport adjustments programmed for fiscal year 2013 or fiscal year 2014 could incur delays due to personnel moves, maintenance, and operations schedule changes resulting from a continuing resolution, the Navy remains committed to our plan to transfer an ARG to Mayport fiscal year 2014. Currently, the Iwo Jima ARG is planned to change homeports from Norfolk, VA to Mayport, FL under a full-year CR. However, the Navy continues to evaluate all options to maximize its strategic objectives should Congress approve a full-year CR.

6. Senator NELSON. Admiral Ferguson, if yes, would the timeline change?

Admiral FERGUSON. Currently, the Iwo Jima ARG is planned to change homeports from Norfolk, VA to Mayport, FL as scheduled under a full-year CR. However, homeport adjustments programmed for fiscal year 2013 or fiscal year 2014 could incur delays due to personnel moves, maintenance and operational schedule changes resulting from a year-long CR. The Navy's current ARG transfer timeline is the USS *New York* (LPD 21) in the first quarter of fiscal year 2014, and the USS *Iwo Jima* (LHD 7) and USS *Fort McHenry* (LSD 43) in the fourth quarter of fiscal year 2014. The Navy continues to evaluate all options to maximize its strategic objectives should Congress approve a full-year CR.

QUESTIONS SUBMITTED BY SENATOR KAY R. HAGAN

U.S. SPECIAL OPERATIONS COMMAND

7. Senator HAGAN. Secretary Carter and General Dempsey, as I noted before, the impact of sequestration and a full-year CR would return U.S. Special Operations Command (SOCOM) to fiscal year 2007 spending levels. In the last 6 years, SOCOM has grown by approximately 9,000 military and civilian personnel to respond to unprecedented operational tempo. In the coming years, I understand SOCOM is set to add approximately 5,000 more people under growth directed by the last two Quadrennial Defense Reviews. Do you believe this growth is achievable if sequestration and/or a full-year CR become a reality?

Secretary CARTER. Since 2001, Special Operations have become an integral part of our national defense strategy—across the full range of contingencies from major combat operations to counterterrorism to building security capacity of partner nations. As you indicated, we have recognized the importance of Special Operations and for the past several years aligned the forces and resources needed to right-size SOCOM to meet our current and future security needs. A full-year CR and/or sequestration would significantly disrupt these plans, limit programmed growth, cut investment in future capabilities, and most critically degrade the training and readiness of Special Operators, many of whom are among our Nation's most rapidly deployable crisis response assets. After nearly 10 years of responsibly expanding the force, we're on track to level off growth in 2015, and posture SOCOM for persistent engagement with security partners around the globe. Cutting resources back to the sequester level and implementing across-the-board budget cuts would significantly reduce the capabilities and capacity of our Special Operations Force.

General DEMPSEY. Currently, I understand SOCOM is on track to meet their growth plans. However, if sequestration and/or a full-year CR become reality we will need to re-examine all of our budget plans.

EFFECTS OF REDUCING AND CANCELING MAINTENANCE

8. Senator HAGAN. General Odierno, Admiral Ferguson, General Amos, and General Welsh, reducing maintenance during the remainder of the year is a central part of the Department of Defense's (DOD) response to sequestration. All of the Services have plans to defer or cancel maintenance. For example, in North Carolina, the Navy and Marine Corps propose canceling $81 million in aircraft maintenance at Cherry Point during the third and fourth quarters of this fiscal year. While the Services are attempting to protect deployed units and those preparing to deploy, I am deeply concerned about how sacrificing maintenance will affect our military's

readiness. What is your assessment of the longer-term effects of deferred and canceled maintenance?

General ODIERNO. My assessment is that sequestration will impact both short term and long-term readiness of Army equipment. The planned $2 billion reduction in the third and fourth quarter workload along with depot workforce reduction of 5,000 permanent/temp/term and contractors will delay equipment on-hand readiness for six Divisions (3rd Infantry Division [Georgia], 4th Infantry Division [Colorado], 10th Mountain Division [Louisiana and New York], 25th Infantry Division [Alaska and Hawaii], 101st Airborne Division (Air Assault) [Kentucky] and 82nd Airborne Division [North Carolina]) and stops Reset of 1,000 Tactical Wheeled vehicles directly impacting Red River Army Depot [Texas and Arkansas]; 14,000 communication devices, directly impacting Tobyhanna Army Depot [Pennsylvania] and 17,000 weapons, defers post-combat equipment repair in Active and Reserve units 3–4 years following redeployment. If full sequestration is implemented we believe over 10,000 employees in Army Material Command will be affected, further reducing our life cycle maintenance capability, deferring and reducing readiness throughout the active Duty, National Guard and U.S. Army Reserve.

Admiral FERGUSON. The negative effect of deferred and cancelled maintenance to ships will eventually force us to pay a higher cost and take longer than originally planned to make up the critical maintenance later and at a loss of operational availability. If maintenance is not eventually done, there will be a reduction in service life and increased material casualties can be expected.

The negative effect of deferred and cancelled maintenance to aviation squadrons will be felt for a minimum of 3 years and it has the potential to affect our readiness over the next decade. Beginning in fiscal year 2014, we will have a backlog of 327 aircraft and 1,208 engines that should have been placed into the depot for overhaul, repair, and inspection. This increasing backlog will compete with scheduled fiscal year 2014 inductions. Additionally, the loss of skilled labor due to the release of contractors and temporary hires will reduce our capacity to recover from the projected backlog in fiscal year 2014.

Readiness levels across the force will be negatively impacted as ship maintenance availabilities are delayed and insufficient aircraft are available to execute training plans in preparation for deployment.

General AMOS. While short-term adaptations are possible, the short-term readiness of our current forces comes at the expense of those who will follow in their footsteps. Deferring or cancelling planned maintenance will cause long-term effects that will directly and negatively impact readiness and operational capability.

For ground equipment, depot maintenance requirements include both repair of weapon systems being retrograded from Afghanistan and scheduled maintenance on home station assets both required to maintain readiness of the force.

In the near-term, reduced funding results in reduced capability to respond to contingencies. A high percentage of our overall inventory of critical weapon systems, such as Mine Resistant Ambush Protected vehicles, were used heavily in Afghanistan. Delays in repairing them causes immediate shortfalls throughout the Marine Corps that reduce our ability to deploy fully capable forces.

In the long-term, reduced funding results in declining readiness that compounds over time as we are forced to compromise sustainment plans required to maintain critical weapon systems. Most of our depot funding supports key weapon systems, such as M1A1 tanks, Amphibious Assault Vehicles and Light Armored Vehicles, that comprise our core capability, and are aging platforms that are our most expensive to maintain. Reduced funding requires us to defer maintenance of key systems such as these. For example, an M1A1 tank should be rebuilt every 10 years of its lifecycle. This requires the Marine Corps to fund rebuild of 40 tanks per year. Deferring rebuild of 20 tanks this year would degrade readiness and require funding the rebuild of 60 tanks next year to recover. Over time, this key system repair pattern will create a hollow force. Without additional funding in future years, maintenance intervals will continue to extend. This results in equipment failures becoming more frequent.

For Aviation, the Marine Corps will have 107 scheduled depot inductions that will not occur as a result of CR/sequestration. This will result in less aircraft available for tasking to each squadron and reduce the assets available for training and operational support. As an example, in the F/A–18 community; squadrons are equipped with 12 airplanes. Reductions to depot throughput will cause squadrons to each have ~5 aircraft available for each nondeployed squadron. The long term effect to nondeployed F/A–18 squadrons operating with a diminishing number of aircraft is the inability of the unit to achieve and maintain minimum combat readiness required for follow-on deployments.

Impacts

- Today 110 of 254 USMC F/A–18s are "out of reporting" status.
- Each year an additional eight F/A–18s go "out of reporting" because the depots currently lack the capacity to induct all aircraft requiring depot level maintenance.

USMC F/A-18 Laydown (1 Jan 14)	
Total F/A-18 Inventory	254
5 Squadrons Deployed	- 58
1 Training Squadron	- 33
Out Of Reporting (Depot Maintenance)	- 124
Aircraft on Flight Line for 7 Squadrons	= 39
Number of Aircraft per Squadron (7)	5.6

General WELSH. Reductions in funding for weapons system sustainment negatively impact depot maintenance proficiency and drive aircraft mission capable and availability rates further below standards for more than 30 weapon systems. Significant reductions in fiscal year 2013 workload will ripple through industry, causing many small businesses producing critical components to struggle, leading to a lengthier and less effective/efficient recovery. The bow wave of aircraft awaiting induction will further burden our depot capacity and lengthen the recovery time. The mounting depot workload backlog will also drive additional maintenance activities, like inspections, to the field. Ultimately, both field and depot maintenance activities will be less efficient, causing readiness to decline.

9. Senator HAGAN. General Odierno, Admiral Ferguson, General Amos, and General Welsh, what effect will this reduced maintenance have on the ability of our military to respond to unforeseen contingencies that might arise?

General ODIERNO. Bottom line, decreased maintenance capabilities directly impact the readiness of all our equipment from night vision devices to tanks. It significantly increases the risk to our soldiers based on the degraded readiness of our systems. These impacts will ultimately translate into longer response times, longer mission accomplishment times, and increased risk to our soldiers.

Admiral FERGUSON. The Navy currently operates under a Fleet Response Plan that trains ship crews and air wings immediately after completing maintenance availabilities to ensure we have sufficient numbers of Carrier Strike Groups (CSGs) and Amphibious Ready Groups (ARGs) ready to deploy in support of emergent requests from combatant commanders. However, the enduring impact of maintenance availabilities and training we must cancel in event of sequester will significantly reduce Navy's future capability to respond to emergent requests for maritime forces. If sequestration endures, it would make maintaining our present force structure essentially impossible; therefore, the Navy would have fewer assets available to meet the growing number of Global demands.

General AMOS. Today, with the majority of our standard equipment forward in combat and overseas contingency operations (OCO) dollars spent on theater specific requirements, our home station units are hard pressed to achieve levels of readiness necessary for crises and contingencies. They continue to train with the small pool of equipment they have on hand. With this equipment, marines are able to maintain a basic level of proficiency that enables them to respond quickly to crisis when the Nation calls. However, without sustained funding, lower maintenance levels will begin to degrade quickly these small pools of equipment, leading to degradation in training readiness. Eventually, the equipment needed at home station will wear out; when it does, our marines will lose associated training and therefore the proficiency necessary to keep these units ready to respond.

Our amphibious core capabilities rely on operationally available amphibious warships to conduct training, exercises, and deployments. Any reduction in amphibious ship maintenance will directly limit operationally available amphibious warships and erode readiness. Our ability to deploy to meet Combatant commander timelines will be impacted adversely.

As America's Force in Readiness, our Marine Aviation Units maintain a high state of readiness at all times to respond to contingencies and commitments throughout the globe. At any given time, one-third of Marine Aviation Units are deployed, one-third of Marine Aviation Units are preparing to deploy, and one-third of Marine Aviation Units have just returned from deployment. Deployed units will maintain the highest states of readiness, but units preparing for deployment will need additional resources and/or time to undertake their wartime mission. A cancellation of depot level maintenance for the third and fourth quarters of this fiscal year will result in a substantial decrease in our readiness to respond to unforeseen contingencies and future deployments. The Marine Corps will have 107 scheduled depot inductions that will not occur as a result of CR/sequestration. This will result in less aircraft available for tasking to each squadron and reduce the assets available for training and operational support. The best example is our F/A–18 community; squadrons normally equipped with 12 airplanes. Reductions to depot throughput will cause FA–18 squadrons to each have ~5 aircraft available for each nondeployed squadron. The effect of reduced aircraft in these nondeployed squadrons is less aircraft to train with, resulting in the inability of the unit to achieve and maintain minimum combat readiness required for deployment.

General WELSH. Cuts to weapon system sustainment degrade aircraft availability, effectively reducing available force structure for operational employment and delaying achievement of Operations Plan (OPLAN) objectives. Combined with flying hour cuts, overall operational readiness degradation will be immediate, devastating, and long term, putting our ability to support the current defense strategy at critical risk.

EFFECTS OF REDUCING TRAINING

10. Senator HAGAN. General Dempsey, with a couple of exceptions, DOD plans on prioritizing training to units preparing to deploy. If the sequester were to occur and the CR continues, this is the right thing to do. However, this is going to leave the vast majority of units underprepared for future operations. For example, the Army estimates that 78 percent of all Brigade Combat Teams (BCT) will face severe cutbacks to training because they fall into the category of units not deployed or preparing to deploy. As chair of the Emerging Threats and Capabilities Subcommittee, I am concerned about the effect these cuts will have on our military readiness. How will reductions of training to the majority of our forces affect DOD's ability to respond to future threats and unforeseen contingencies operations?

General DEMPSEY. The Secretary maintains a Global Response Force to respond to future threats and unforeseen contingency operations. The Global Response Force (GRF) possesses a broad set of capabilities across Land, Air, and Maritime domains with sufficient strategic agility to hedge against a range of contingencies in the opening stages of an unforeseen crisis. Maintaining a ready GRF will remain a high priority for the Department. However, over the long-term sequestration will put pressure on all forces and we can expect to see reduced capacity, capability and longer delays in crisis response.

SCIENCE, TECHNOLOGY, AND TEST AND EVALUATION ACTIVITIES

11. Senator HAGAN. Secretary Carter, on January 15, Mr. Frank Kendall, the Under Secretary of Defense for Acquisition, Technology and Logistics requested the Services to provide further information on the potential impact on reducing science and technology (S&T) programs by 10 percent. What is your assessment of the impact of these potential cuts to those technical areas that support the development and deployment of new technologies, especially in critical areas like cyber security and electronic warfare?

Secretary CARTER. The specific impact of sequestration to S&T programs will vary among technical areas, but, in general, a 10 percent reduction will both slow progress on existing research and reduce the number of new grants and awards. The impact will be larger in newer research efforts because existing multi-year commitments leave a smaller pool of available funds to which to apply the cuts required by sequestration. This will impact important areas like electronic warfare (EW) and cyber.

With regard to electronic warfare, sequestration will, for instance, delay the efforts of the Advanced Components for EW program, which develops EW components in areas like highly integrated photonics, millimeter-wave sources, and receivers. Sequestration will slow the development of advanced mid-wave infra-red focal planes in the Army's Vital Infrared Sensor Technology Integration (VISTA) program, which helps keep the United States competitive in fielding advanced surveil-

lance systems. Sequestration will also delay the development of electronic protection upgrades for existing F–15 and F–18 aircraft and cause the cancellation of the demonstration of advanced EW capabilities in key exercises.

With regard to cyber security, sequestration will, among other things, slow efforts for new integrated, cross-Service research efforts in system "trust" and resiliency. It will also slow the hiring of new personnel and support contractors needed to develop these advanced capabilities; experience has shown that it takes significant time to recover a workforce's capabilities following a hiring interruption.

There will be other significant impacts in research-funded infrastructure. For example, DOD has five High Performance Computing Modernization Office supercomputer centers; the combined impact of the continuing resolution and sequestration will force the DOD to close at least one of the five. The Department could also be forced to close the Maui Space Surveillance System. There will be other challenges to infrastructure, but these two examples are most stark.

We are still assessing the impact of sequestration on new grants and awards, but it will likely result in a decrease of grant funding of approximately $300 million. This funding reduction will significantly affect university investment and will impact several thousand graduate scientists and engineers supported by DOD research.

12. Senator HAGAN. Secretary Carter, how will these potential cuts be allocated between DOD in-house activities and outside performers such as at universities and small businesses?

Secretary CARTER. Individual program managers will execute their programs to best meet their objectives and be consistent with the description of the fiscal year 2013 program already provided to Congress. Each program manager will determine how to allocate their resources between DOD in-house activities and outside performers. Some programs, such as Small Business Innovative Research, will continue to exclusively invest in small business, although at the reduced levels.

13. Senator HAGAN. Secretary Carter, what will be the impact on facilities and maintenance of the DOD's test and evaluation ranges that are crucial to ensuring that DOD systems that are fielded are effective and suitable?

Secretary CARTER. As a result of budget cuts mandated by sequestration, the Department's test and evaluation (T&E) facilities and ranges run the risk of becoming not mission capable.

Funding cuts will force reductions in both test capability and test capacity driven by the loss of test facility and range personnel with unique technical skills. There will be direct cuts in funding to the test infrastructure, and furloughs of test personnel. There will also be indirect funding cuts—cuts to program dollars that would otherwise be used to pay for the use of test facilities and maintenance operations. The net result of these cuts will be reductions in both test capability and test capacity, which in turn will cause either delayed acquisitions or reduced efficacy of systems acquired. If the cuts and furloughs are sustained, there could be permanent loss of critical test capabilities.

Future acquisition programs could be impacted as well. The Department may be unable to invest in emerging test technologies, such as improved electronic warfare test capabilities or consolidated cyber ranges, or to properly recapitalize its existing test infrastructure. The DOD recapitalization rate may already lag that of the industrial sector. Failing to maintain the Department's T&E infrastructure investments and to keep pace with emerging technology will reduce total testing capacity now and in the future.

Lastly, civilian and contract employees make up 53 percent of the Major Range and Test Facility Base workforce. Reductions to the range support workforce will reduce testing capacity due to the inability to commit to long-term test event schedules, and the loss of critical contracted test range expertise that will result from employees losing their jobs or voluntarily moving on to more stable employment opportunities. This will further adversely impact the Department's test infrastructure by inhibiting its ability to return to original testing capacity—let alone make up lost ground and bring program testing timelines back onto schedule. Over time, these cuts will increase total program cost significantly.

SCIENTIFIC AND TECHNICAL WORKFORCE

14. Senator HAGAN. Secretary Carter, technological superiority on the battlefield is supposed to be one of the primary components of our current and future military. Continual hiring to renew scientific and technical staff and broaden expertise is crit-

ical to future creativity. How are the DOD's laboratories supposed to conduct the research necessary to maintain our technological military superiority if they cannot hire the scientists and engineers needed due to blanket hiring freezes?

Secretary CARTER. If sequester occurs, there will be reduced funding to support the current workforce, and this will impact our ability to maintain technological superiority. Loss of funds over a lengthy period may not permit the sustainment of some programs at sufficient levels to retain a viable lab workforce in certain areas.

15. Senator HAGAN. Secretary Carter, considerable investments in effort and money have been made in the laboratories' Science, Technology, Engineering, and Mathematics (STEM) programs to encourage students to enter the STEM fields and to come to work for the DOD government labs and to hire the best and the brightest of current graduates. Sequestration and hiring freezes will curtail many of these programs, prevent the hiring of successful STEM graduates, send many of the recently hired best and brightest home, and severely damage the desirability of a STEM career within the government labs. What consideration has been given to the possibility of reducing the strictness of the constraints on this group of personnel?

Secretary CARTER. Selected exceptions to the hiring freeze are allowed, but this needs to be balanced with the overall civilian workforce needs. Sequestration will likely result in talent gaps within our lab system, which will be difficult to fill.

16. Senator HAGAN. Secretary Carter, what is the plan to recover from the extremely detrimental effects of the hiring freeze and impacts of sequestration?

Secretary CARTER. There will be degradation in the DOD mission associated with a year-long Continuing Resolution and sequestration. To mitigate this degradation, we will need to rely extensively on the University Affiliated Research Centers and federally Funded Research and Development Centers. During this difficult period, we will maintain an inventory of skills lost. As budgets allow, we will use the authorities granted to the labs via existing Science & Technology Reinvention Lab legislation to aggressively recruit new talent. However, we do not believe existing personnel authorities will be sufficient to overcome the negative environment created by sequestration and the mandated hiring freeze. Lab directors are reporting the loss of several of their most talented scientists and engineers to non-government jobs; we expect this trend to continue.

RESEARCH AND DEVELOPMENT

17. Senator HAGAN. Secretary Carter, earlier this week, an article on sequestration in Defense News stated that Mr. Frank Kendall "said that he is starting to think about whether research and development money needs to be protected to provide alternatives to some big, expensive programs. The idea is that if large, complex items are cut because of continuing declines in defense spending, then DOD would have new, less expensive systems as backups." What are some specific examples that Mr. Kendall is considering?

Secretary CARTER. As I understand Under Secretary Kendall's remarks, he was suggesting the possibility of investing in research and development of programs that would not be affordable in production at current budget levels. While I don't have specific examples to offer, the idea underlying this approach would be to provide a hedge against future uncertainty by sustaining our technological superiority in the research and development base. This approach has been used before when budgets have been below the levels needed for long term sustainment of the force structure. If future budgets are reduced as much as sequestration would require, this is one approach the Department would consider to manage the risk to our long term national security posture.

IMPACT ON COUNTER ILLICIT TRAFFICKING OPERATION IN THE WESTERN HEMISPHERE

18. Senator HAGAN. General Dempsey and Admiral Ferguson, in a February 6, 2013, Associated Press article titled: "Panetta: Defense Budget Cuts Will Damage Economy," it is reported that, if sequestration takes effect, the Navy will cease deployments to South America and the Caribbean and limit those deployments to Europe. While the impact of this potential change by the Navy is difficult to measure, it is estimated that the absence of Navy vessels patrolling and intercepting illicit trafficking fast boats could result in more than 200 additional tons per year of cocaine ending up on the streets of the United States. Has DOD done any contingency planning internally or with Federal, State, and local law enforcement officials to prepare for the likely increase in the availability of cocaine and other illicit drugs?

General DEMPSEY. If sequestration should go into effect, the Navy is planning to stop deployments in the Caribbean and South America in support of SOUTHCOM. The department's statutory responsibility is to serve as the lead agency for aerial and maritime detection and monitoring of illicit trafficking. The department accomplishes this mission principally with a variety of radar and intelligence assets, but compliments this with Navy ships, and a variety of airborne assets. The lack of Navy ships will degrade our detection and monitoring capabilities but not totally eliminate our detection and monitoring capabilities. Other U.S. Government and foreign law enforcement agencies are responsible for the interdiction of the illicit trafficking based on queuing from DOD's detection and monitoring capabilities. While conducting the detection and monitoring mission, Navy ships typically have a U.S. Coast Guard law enforcement detachment on board which enables these same ships to support/compliment the U.S. Coast Guard's assets and interdiction mission. I am unaware of how sequestration would affect the USCG interdiction mission. We do not plan for operations within the United States. Rather, we respond to requests for support as we receive them.

Admiral FERGUSON. Navy assets are responsible for interdicting, or facilitating the interdiction of, about 30.5 metric tons of illicit narcotics annually. Without Navy participation, it is supposed that Joint Interagency Task Force-South will fail to disrupt or interdict at least 30.5 metric tons of illicit narcotics during this period. It is unclear what the impact on asset tracking and identification performed by Navy vessels will be on our ability to assist partner nation law enforcement interception of drugs.

Navy is a force provider and deploys units based on operational priorities determined by the Joint Staff utilizing the Secretary of Defense's Guidance for Employment of the Force. The Joint Interagency Task Force-South is the appropriate agency to comment on interagency law enforcement contingency planning.

19. Senator HAGAN. General Dempsey and Admiral Ferguson, what is the view of the Commander of SOUTHCOM on this matter?

General DEMPSEY. SOUTHCOM is keenly aware that decreasing DOD assets to the Detection and Monitoring and support to Law enforcement mission will result in more illicit product trafficked and more illicit products arriving into the United States.

Admiral FERGUSON. Navy is a force provider. We deploy units based on operational priorities determined by the Joint Staff using the Secretary of Defense's Guidance for the Employment of the Force. The geographic combatant commander employs the forces deployed to his region and is the appropriate agency to comment on the views of SOUTHCOM.

20. Senator HAGAN. General Dempsey and Admiral Ferguson, has the Commander of SOUTHCOM directed any planning guidance to his component commanders on this matter?

General DEMPSEY. General Kelly has directed his Component commanders to ensure remaining funding is prioritized to missions that protect and promote our National Security Interests, specifically, prioritizing building partnerships capacity activities with Central American and Andean Ridge nations.

Admiral FERGUSON. Navy is a force provider. We deploy units based on operational priorities determined by the Joint Staff using the Secretary of Defense's Guidance for the Employment of the Force and the fiscal year 2013 Global Force Management Allocation Plan (GFMAP), which is the authoritative, Secretary of Defense-approved process for supporting combatant commander presence requirements. There has been no change to the approved fiscal year 2013 GFMAP that the Navy is aware of. The geographic combatant commander, and by proxy, his component commanders, are the appropriate agency to comment on any SOUTHCOM planning guidance.

QUESTIONS SUBMITTED BY SENATOR JOE MANCHIN III

AUDIT

21. Senator MANCHIN. Secretary Carter, DOD and each of the Services laid out—in impressive detail—detailed cuts that would occur if the sequester occurs on March 1. These details were provided in a relatively short timeframe. However, DOD remains unable to conduct a complete audit and has stated it will be several more years before it is "audit ready." Why is it so easy for DOD to quickly lay out

detailed spending cuts, but so difficult for DOD to conduct a full, complete, and transparent audit?

Secretary CARTER. The projected cuts that would result from a sequester are based on our budget amounts. Like budgets in any organization, DOD budget amounts are based on assumptions about the resources needed to meet future requirements and mission objectives and not on actual historical transactions. We know these budget amounts well and can estimate changes quickly. We also have reliable information about how we spend appropriated funds. However, an audit of financial statements does not look at assumptions and judgments but rather at documentation of controls and financial events that have already been executed. We do not always have auditable controls and documentation is not always available quickly. The DOD is investing in the capability to control and store the documentation for all material financial events so that it can meet audit standards. This is a long-term project that the Department is committed to complete by 2014 for our budgetary statement and by 2017 for all statements.

POST WAR SPENDING REDUCTION

22. Senator MANCHIN. Secretary Carter, after Korea we reduced spending 43 percent, after Vietnam we reduced spending 33 percent, and after the Cold War we reduced spending 36 percent. History proves that we have drawn down spending after every war. We will draw down spending after this war. If we implement the Budget Control Act (BCA) caps and the sequester, we will reduce total defense spending by 31 percent (the CSIS chart referenced is listed as an attachment). That's less than any of the previous reductions. How do we maintain a strong and ready force in light of this reality?

Secretary CARTER. We should make defense policy based on a strategy that leads to strong national security, not based on budget projections. Maintaining a ready force is a priority of the Department. I am deeply impressed by the caliber and capabilities of our military forces. It is vitally important that they be ready to respond to the Nation's needs. However, further budget cuts brought about through sequestration and a year-long Continuing Resolution will create a hollow force that is rendered incapable of performing the mission that we expect it to conduct. With a hollow force, units do not have the resources, personnel, equipment, and training necessary to make them capable or ready to execute the defense strategies that secure our country.

FLEXIBILITY

23. Senator MANCHIN. Secretary Carter, last week I asked Secretary Panetta if the timing of the sequester "is hitting you harder than anything." He replied by saying "that's right." So, it's that you are having to take these cuts across the board, with no flexibility. If you had the flexibility, would the cuts be less painful?

Secretary CARTER. A cut of this size, almost halfway through the fiscal year, would still be a huge problem. Seven months into the fiscal year, achieving a $46B cut would require that we reduce all categories of unobligated balances even with flexibility. It would probably still require furloughs. We'd still have to curtail training and weapons maintenance, which would seriously harm readiness, and we would impact numerous investment programs. More flexibility is always better than none, but having that kind flexibility at this late date is not a substitute for solving the problem by detriggering sequestration and passing appropriations bills.

24. Senator MANCHIN. Secretary Carter, what kind of flexibility can Congress provide?

Secretary CARTER. The President believes that the solution is for Congress to work to enact balanced deficit reduction that can avoid sequestration entirely. If Congress is unable to get all the way there before sequestration would occur on March 1, the President believes that Congress should enact a short-term package of additional spending cuts and tax reform that can delay sequestration for a few months.

BASE REALIGNMENT AND CLOSURE

25. Senator MANCHIN. Secretary Carter and General Dempsey, Simpson/Bowles outlined several cost-saving measures for defense that have not been acted upon. For instance, they recommended that Congress should also consider a Base Realignment and Closure (BRAC) commission for terminating major weapons systems, ap-

pointed and headed by the Secretary of Defense, for trimming redundant or ineffective weapons from DOD's inventory. Would a BRAC commission aimed at eliminating unnecessary and unneeded programs be helpful in generating cost-savings for DOD?

Secretary CARTER. I don't think a BRAC-like commission for acquisition programs would be particularly helpful to DOD. The Department already strives to eliminate redundant or ineffective weapons systems through its current acquisition and Planning, Programming, Budgeting, and Execution processes and has eliminated many lower-priority systems in recent years. A commission would most likely be duplicative of these existing processes. A BRAC, however, is critical for reductions in the Department's overall infrastructure.

General DEMPSEY. With full sequestration we must have at least one round of BRAC to eliminate excess infrastructure. We will also have to rewrite our defense strategy and will work with the administration and Congress to determine the right mix of force structure to best meet that strategy.

FAMILY READINESS SUPPORT PROGRAMS

26. Senator MANCHIN. General Odierno, as I understand it, both DOD and Service Chief guidance is to ensure that a potential sequester does not impact the warfighter. But, that's not what is happening on the ground, in the deployed units. I'm directing this question to you, because I want to make sure that the Army is protecting servicemembers and their families. I have been asking the Army, in written correspondence, since early September about the Family Readiness Support Program, and have been assured, in writing, that all deployed battalion sized units and above will receive a Family Readiness Support Assistant (FRSA) 90 days before, during, and 90 days after a combat rotation. Yet, you have battalions that have deployed without a FRSA. Just last week, a West Virginian who is the battalion commander of an Active Duty unit deployed without the family support (a battalion FRSA) that Secretary McHugh assured me, in writing, that a battalion would have. Why did this happen, and why do you continue to let this unit go without the appropriate family support even after your staff has been notified?

General ODIERNO. It is Army policy and my intent that FRSAs be assigned to every battalion that is deploying and brigade for non-deploying units. It is my understanding that the battalion in question now has a FRSA. There appeared to be some bureaucratic issues regarding the hiring freeze, which we have corrected. FRSAs are full-time unit assets, and units should not be deploying without FRSA support.

FRSAs provide support throughout the full deployment cycle. Active component FRSAs are permanent GS employees on unit Augmentation Table of Distribution and Allowances. The Army National Guard is authorized two FRSAs per brigade element, or a minimum of one FRSA per State where there is no brigade. The Army Reserve is authorized one FRSA per 1,500 to 2,000 soldiers per functional and operational command.

27. Senator MANCHIN. General Odierno, how many deployed units do not have an FRSA? I know of at least two deployed battalion-sized units that do not have FRSAs. Why has this not yet happened?

General ODIERNO. At the present time, the Army Reserve has identified three units deployed that have vacant FRSA positions; this is not due to funding but the inability to find an individual to fill the position. However, appropriate deployment support is being provided by higher-level Family Program Coordinators. The Army Reserve has funding to hire the FRSAs and intends to fill the vacancies as expeditiously as possible.

28. Senator MANCHIN. General Odierno, in December, I asked Secretary McHugh for a staff delegation to visit the Fort Myer Child Development Center to review the policies after the horrendous abuses that have occurred. This staff delegation has not been arranged. Since the Army is allocating over $1 billion for family programs this year, I feel that a site visit is not an unreasonable request.

General ODIERNO. We are currently conducting a thorough investigation specifically into the activities and procedures at the Joint Base Myer-Henderson Hall Child Development Center. Once completed, the Office of the Chief of Legislative Liaison will contact the Senate Armed Services Committee staff to discuss the appropriateness of a committee staff visit to the Joint Base Myer-Henderson Hall Child Development Center.

FURLOUGH

29. Senator MANCHIN. General Grass, the proposed involuntary, 22-day furlough of Federal employees will hurt West Virginians. Even in a small State like West Virginia, we have over 1,000 technicians that would be impacted. In fact, there are approximately 350 dual status civilians that also serve in the National Guard or Reserve. These workers make up almost 50 percent of the full-time support for the West Virginia National Guard. With so much of your full-time support being comprised of civilian workers, are you concerned that the National Guard might be disproportionally impacted by the civilian furlough?

General *Grass.* As citizen soldiers and airmen, our military technicians provide the day-to-day continuity in the operations and training of 464,635 Army and Air National Guardsmen. These same technicians provide millions of maintenance manhours annually to repair all equipment and aircraft assigned to our 8 Brigades, 450 separate ARNG units and 89 ANG Wings.

Our National Guard military technicians serve concurrently in three different ways. Our military technicians:

(a) Perform full-time "civilian" work in their units (or supported unit);
(b) Perform military training and duty in their units; and
(c) Are available to enter active Federal service at any time their units are called.

If these civilian hiring controls are applied to the National Guard technician workforce, the impact to our full-time force and ensuing effect to the readiness of the National Guard would be devastating. The anticipated effects of sequestration will reduce the National Guard full-time technician program by more than 20 percent. Release of our 7,600 temporary technicians, who for the most part are backfilling deployed military technicians, coupled with a hiring freeze (est 2,550 based upon 5 percent turnover) will result in the loss of over 10,000 full-time employees. When taking into consideration the effects of temporary technician terminations, a hiring freeze, and a 22 week furlough, the National Guard could realize a loss of almost 16 million operational, training and maintenance manhours by the end of this fiscal year.

CONTRACTORS

30. Senator MANCHIN. Secretary Hale, DOD must find ways to increase its purchasing power. DOD's internal cost growth exacerbates any budget cut because our defense dollars continue to buy less and less. For instance, in 2001, the average operation and maintenance (O&M) cost per Active Duty servicemember was $105,000 (in constant 2012 dollars). Since September 11 that cost has risen nearly 50 percent to approximately $147,000 per servicemember. Meanwhile, defense contractors, such as Boeing and Raytheon, continue to see their profits soar. What actions are you taking to limit contractor costs and profit to help make the best military in the world more affordable?

Secretary HALE. We recognize that we need to continue to strive to get a better business deal for the taxpayers and the warfighters we support. That is what our Better Buying Power initiatives are all about—increasing the buying power of the Department. Our interest is primarily focused on paying less for the goods and services that we buy. We are instructing our contracting officers to use profit as a motivator to reduce cost and to reward those contractors who perform well. We want to align profit with cost reduction and performance. If we find instances of excess profit, we take the action to understand why and to eliminate them.

Through the Defense Acquisition Workforce Development Fund authorized by Congress we have been able to make significant strides in the number and quality of Government personnel (contracting officers, contract auditors and contract pricing experts) who are focused on getting a better deal for the taxpayers.

In addition to the BBP initiatives that we are pursuing, section 804 of the National Defense Authorization Act for Fiscal Year 2013 directed the Secretary of Defense conduct a review and modify the Department's profit guidelines. We are in the process of doing that. Our focus will be to consider modifications to the existing policy that are necessary to ensure an appropriate link between contractor profit and performance and will align itself with the areas of emphasis included in that legislation.

31. Senator MANCHIN. Secretary Hale, at almost any military base you visit, contractors are providing security at the front gates and entrance points. This was presumably done because so many servicemembers were deployed from their bases. As fewer soldiers are deployed from their bases, we would expect the number of con-

tractors to decline. However, I remain concerned about the number of contractors still being used for tasks that our servicemembers could do. What specific tasks will soldiers begin to reassume from contractors as they return from deployments?

Secretary HALE. As existing contracts expire and if money is unavailable, soldiers will have to perform base operation tasks because they are the only available pool of manpower. However, it is incorrect to characterize them as "soldier jobs." The fact that civilians (government or contractor) are doing them now generally means that they are not part of their key training or mission tasks and with a volunteer sized force, their day is more properly spent on soldier skills, education, training, exercises and operations. When military manpower is detailed to other functions, it directly detracts from impacts, hour for hour, on their skills.

TEMPORARY ACTIVE-DUTY ORDERS

32. Senator MANCHIN. General Grass, a significant number of National Guard soldiers and airmen are currently serving on temporary Active-Duty for Operational Support orders (ADOS) to assist with training, recruiting, medical readiness, and many other critical support functions to augment the technician and AGR full-time support. If the sequester occurs on March 1, approximately how many National Guard members serving on temporary ADOS orders would be impacted?

General GRASS. Military personnel appropriations are exempt from sequestration. As such, there will be no impact to any soldiers/airmen serving on ADOS in fiscal year 2013. However, if military personnel appropriations are not exempt from out-year budget reductions, the number of members we can afford to employ on ADOS will be affected. Determination of the exact number cannot be made until future budgets are finalized.

We currently have 859 Army and 527 Air National Guard members serving on temporary ADOS orders to support training, medical readiness and other critical support functions.

COMBAT PAY

33. Senator MANCHIN. Secretary Hale, are you watching to make sure that pay and benefits are equitable across the Services? For example, a servicemember living in a country away from the fighting in Kyrgyzstan makes the same combat pay as a soldier living in a tent on the Afghanistan/Pakistan border.

Secretary HALE. "Combat Pay" is a term of art referring to a group of special pays, allowances and entitlements received while deployed to a Combat Zone, Qualified Hazardous Duty Area, or Direct Support Area. The pay and entitlements most closely associated with this term are Imminent Danger Pay (IDP) and combat zone tax exclusion (CZTE).

Combat zones are declared by Executive order and designate those locations where our military is engaged in combat. The tax exclusion benefits provided to members serving in a combat zone may also be extended to members serving in locations outside the combat zone, where the member is serving in direct support of operations in the combat zone.

At this time, Kyrgyzstan, Afghanistan, and Pakistan are all designated as IDP areas, and members serving in these countries receive the pay. Additionally, Executive Order 13239 designated Afghanistan as a combat zone. Kyrgyzstan and Pakistan have both been designated by DOD as areas in which members serve in direct support of the Afghanistan combat zone. Thus, members currently serving in Afghanistan, Kyrgyzstan, or Pakistan are eligible for the CZTE.

The Department routinely monitors the compensation of our members to ensure that pay and benefits are effective, efficient, and equitable across the force.

34. Senator MANCHIN. Secretary Hale, after a decade of war, is it time to reevaluate how we compensate those that are in the most dangerous locations?

Secretary HALE. "Combat Pay" is a term of art referring to a group of special pays, allowances and entitlements received while deployed to a Combat Zone, Qualified Hazardous Duty Area, or Direct Support Area. The pay and entitlements most closely associated with this term are Hostile Fire or Imminent Danger Pay (HFP/IDP), and CZTE. The Department routinely monitors these entitlements, along with other forms of compensation for our members to ensure that pay and benefits are effective, efficient, and equitable across the force.

All members currently assigned to a Combat Zone, Qualified Hazardous Duty Area, or Direct Support location receive the following:

Combat Zone Tax Exclusion. Members performing active service in a location designated in an Executive order as an area in which military members are engaged in combat are eligible for the CZTE. Additionally, members serving outside these designated areas may also be eligible for CZTE benefits if they are serving in "direct support" or operations in the combat zone. DOD designates these "direct support: areas. For members serving in a combat zone or in a direct support area, all military pay for enlisted members and military pay for officers up to the amount earned by the Sergeant Major of the Army, Master Chief Petty Officer of the Navy, Chief Master Sergeant of the Air Force, or the Sergeant Major of the Marine Corps will be excluded from income for Federal income tax purposes.

Hostile Fire or Imminent Danger Pay. Members performing duty in a location designated by DOD as an Imminent Danger Area receive IDP at a rate of $225 per month, prorated at $7.50 per day. If the member is subjected to a hostile fire event, the full monthly amount is paid.

DOD is currently examining a more tiered pay structure for HFP/IDP that differentiates pay based upon proximity to danger. Using the more flexible authorities provided by Congress in the National Defense Authorization Act for Fiscal Year 2008, we are on schedule to make adjustments to HFP/IDP later this year.

QUESTIONS SUBMITTED BY SENATOR JEANNE SHAHEEN

BREACH OF CONTRACT

35. Senator SHAHEEN. Secretary Carter, could you describe the anticipated affects sequestration would have on the contract management within DOD particularly regarding contract fees and penalties?

Secretary CARTER. Generally speaking, most contracts are fully funded at the time of award. Since we intend to avoid contract terminations if we can, in the case of a fully funded contract, sequestration should have little impact, and modifications would likely not be required. On the other hand, incrementally funded contracts might require modifications to address future funding limitations resulting from sequestration. Depending upon the contract's requirements, a modification may be required to address a change in scope or in the period of performance (e.g., stretching out the period of performance). At this time, we do not know if we will need to terminate contracts, but, if we do, they will be handled in accordance with the procedures in the Federal Acquisition Regulation (FAR) and the Defense Federal Acquisition Regulation Supplement (DFARS). We do not have an estimate of costs associated with contract terminations or modifications at this time.

COSTS OF PLANNING

36. Senator SHAHEEN. Secretary Carter, not only are we set to face significant defense and non-defense cuts, but the costs across the government associated with actually planning for sequestration are also significant. The Office of Management and Budget (OMB) acting budget director warned lawmakers last summer that any planning for sequestration would "necessarily divert scarce resources" from other important missions and priorities. What are the costs already associated with planning for sequestration?

Secretary CARTER. The process of planning for sequestrations has been disruptive in many ways. It forces us to be uneconomical, and our industry partners to be uneconomical, in the conduct of our affairs. It makes the orderly disposition of the public's business impossible including all the things we do for servicemembers and their families. The potential for government shutdowns and the prospect of the government operating on a series of continuing resolutions in place of a budget also affect defense industry partners trying to do their jobs. We're working on contingencies at the same time we're trying to do the bedrock business that we're supposed to do, which is to support the warfighter and deliver value for the taxpayer. It's annoying, it's frustrating and it's counterproductive.

37. Senator SHAHEEN. Secretary Carter, isn't it the case that the longer we wait to get a long-term debt deal done, the more expensive and disruptive this process will be?

Secretary CARTER. Yes. Further delays will continue the uncertainty, extra work, and inefficiencies associated with sequestration and Continuing Resolutions.

USS *MIAMI*

38. Senator SHAHEEN. Admiral Ferguson, repairs to the USS *Miami* are scheduled to begin in fiscal year 2013; but might be deferred due to a full-year CR and sequester. What will be the overall impact to Navy operations if the USS *Miami* repair is deferred?

Admiral FERGUSON. If repairs to the USS *Miami* are delayed, the Navy would have one less submarine in support of the Global Force Management Allocation Plan (GFMAP)—the Secretary of Defense-approved plan and process for supporting combatant commander presence requirement. The Navy will reassess maintenance availabilities and operational deployments of remaining submarines in order to meet overall Navy operations through the Global Force Management Allocation process, which JS/J3 conducts and adjudicates on behalf of CJCS and the Secretary of Defense.

DIFFICULTY OF FISCAL YEAR 2014 BUDGET REQUEST

39. Senator SHAHEEN. Secretary Carter, according to a DOD spokeswoman, "If sequestration is triggered . . . much of the work going into the fiscal year 2014 budget will have been an exercise in futility. We will have to redo the budget." Can you discuss the difficulties you have had in pulling together the fiscal year 2014 budget request given the current uncertainty with respect to sequestration and the unfinished fiscal year 2013 budget business?

Secretary CARTER. The Department uses a Planning, Programming, Budgeting and Execution process to develop not just an annual budget but a Future Years Defense Plan. Execution of the current budget and congressional action on the next budget are critical factors to inform our programming and budgeting phases. Long-term continuing resolutions which constrain funding to previous levels and accounts, combined with the potential for sequestration, create an uncertain financial environment which disrupts this process. When Congress fails to provide timely funding guidance, every individual program is faced with uncertainty about what they will be able to fund in fiscal year 2013, which in turn undermines our ability to develop long range plans.

MILITARY FAMILIES

40. Senator SHAHEEN. General Dempsey, please describe the negative impact to military families should Congress fail to reach an agreement?

General DEMPSEY. It is the Department's responsibility to help prepare military families to cope with the challenges inherent with military service. In order to build and sustain resilient military families, the Department must continue to focus on programs that enhance their social, financial, educational and psychological well-being. Sustaining these family programs in the current fiscally constrained environment or potential environment under sequestration and/or a full year of CR will be very challenging, but is of vital importance. We will take the necessary measures to protect funding for family readiness programs to the greatest extent possible and examine all such programs to ensure they are operating efficiently. In addition, we must identify and pursue opportunities to improve efficiency and accessibility of the resources and programs that DOD, other Federal agencies, State and local governments, and community organizations provide to support servicemembers and their families. That said, with base operating funds reduced by approximately 30 percent, military families will be affected.

AUDIT READINESS

41. Senator SHAHEEN. Secretary Carter, one of the areas of particular interest to this committee with respect to DOD's business practices is the ongoing effort to produce fully-auditable financial statements. DOD is scheduled to meet that target in 2017. What level of risk would sequester add to DOD's effort to meet the 2017 deadline for audit readiness?

Secretary CARTER. The enormous budgetary uncertainty and actions needed to address it have already delayed our audit efforts through actions such as hiring freezes and robbing senior leaders of time needed for productive work. If sequestration occurs, it will add significant risk to the DOD efforts to achieve audit readiness. DOD civilians will likely be furloughed should sequestration occur, leaving less time to accomplish the business process and control changes needed to meet our audit goals. In addition, there also would likely be a reduction in the amount of money

available to procure contract audit and accounting expertise that is critical to our effort. Finally, this unprecedented level of budget uncertainty is draining valuable leadership time and attention from this important effort. As GAO has repeatedly observed, sustained leadership is critical to the success of this enterprise change management effort.

42. Senator SHAHEEN. Secretary Carter, how much has DOD invested in this effort thus far?

Secretary CARTER. As we report in our bi-annual report to Congress, the Department has made a major investment in audit readiness. With Secretary Panetta's direction to focus on audit readiness and acceleration of the goal for audit ready budgetary statements the amount increased significantly to just over $400 million in fiscal year 2012. In recent prior years, the Department invested roughly $200 million in audit readiness per year. These amounts are in addition to major investments in modern enterprise resource planning systems that also deliver capability that supports accurate financial reporting. More information can be found in our bi-annual reports to Congress at http://comptroller.defense.gov/FIAR/plan.html

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QUESTIONS SUBMITTED SENATOR TIM KAINE

CONTINUING RESOLUTION

43. Senator KAINE. Secretary Carter, previously you were DOD's chief acquisition official, so you well know the impact of indiscriminate cuts on our contracts and our defense industrial base. Can you speak to the effect that sequestration and a full-year CR will have on the defense industrial base?

Secretary CARTER. Sequestration and a full-year CR will negatively impact companies in the industrial base. It will impact their financial standing, stock market positions, and, of course, their employees. Many defense industry employees have highly specialized skills and if laid off or if they depart for companies in other sectors, they may not return to the defense sector. Budget uncertainty and the specter of sequestration have already caused companies to take undesirable actions, including postponing normal activities such as hiring, investments, and research. Cuts from sequestration and a full-year CR will impact not only our prime contractors, but also our subcontractors, and particularly our small businesses, who are less able to absorb the loss in revenues and have limited access to capital during a downturn. This could result in the permanent loss of subcontractors at the lower tiers of the supply chain-companies that contribute essential ideas, key component designs, and unique, highly specialized, and difficult-to-replace production equipment and skilled labor.

44. Senator KAINE. Secretary Hale, DOD is known for its rigorous planning process, and yet, it must be very difficult for you and the financial managers of DOD to plan for the future, without knowing the baseline budget from which to plan. It must be difficult to make any assumptions going forward, with a fiscal year 2012 CR, no fiscal year 2013 appropriations bill, and a delayed budget process for fiscal year 2014. Does congressional funding, from CR to CR, affect your ability to plan for the future?

Secretary HALE. The Department uses a Planning, Programming, Budgeting and Execution process to develop not just an annual budget but a Future Years Defense Plan. Execution of the current budget and congressional action on the next budget are critical factors to inform our programming and budgeting phases. Long term continuing resolutions which constrain funding to previous levels and accounts combined with the potential for sequestration create an uncertain financial environment which disrupts this process. When Congress fails to provide timely funding guidance, every individual program is faced with uncertainty about what they will be able to fund in fiscal year 2013 based on their unique situations such as labor mix, contract provisions, and execution rate. Integrating these assessments into the whole Department's long range program and detailed budget is necessarily a measured process.

45. Senator KAINE. Secretary Hale, if Congress were to pass a fiscal year 2013 omnibus appropriations bill, what positive impacts would we see to DOD's and overall readiness?

Secretary HALE. An appropriation bill would put funds in the correct appropriations and allow us to execute fiscal year 2013 in accordance with our original plan. Especially if the bill fixes our O&M problems, it would enable us to minimize readi-

ness problems, even though no funding fix can make up for the time lost under the first 6 months of the continuing resolution. It would also enable us to fund "new starts" in military construction and acquisition programs, providing a positive economic impact on communities throughout the country.

COMBATANT COMMANDERS

46. Senator KAINE. General Dempsey, what effect would decisions such as delaying the deployment of the USS *Truman* and deferring the refueling and overhaul of the USS *Lincoln* have on the combatant commanders' ability to perform their missions?

General DEMPSEY. Although delaying *Truman* helps mitigate potential gaps in future U.S. Central Command (CENTCOM) CSG presence, CENTCOM feels immediate impacts to its capacity to handle the wide range of threats within their AOR. The specter of severe spending cuts requires Services to stretch readiness in order to ensure there are no gaps in combat capability. This stretching of resources limits the capacity and, in some cases, the capability of the combatant commanders. Carrier-based aviation is in increasingly high demand due to its non-reliance on host-nation coordination for conduct of operations. This demand for carrier-based aviation will only increase as we redeploy land-based strike aircraft from Operation Enduring Freedom. Deferring refueling and overhaul to later-scheduled CVNs will not only exacerbate the capacity issue in the CENTCOM AOR, but will add the additional shortfall in capability for some combatant commands especially when asked to provide assets to surge to CENTCOM during crises.

NAVY'S SHIPS

47. Senator KAINE. Admiral Ferguson, our Nation's shipbuilding plans cannot be carried out as planned with a fiscal year 2013 CR. What are the long-term impacts to our shipbuilding plans if we do not conduct these refueling and overhauls, as scheduled?

Admiral FERGUSON. USS *Abraham Lincoln* (CVN 72) Refueling and Complex Overhaul (RCOH) was scheduled to proceed with contract award and commence RCOH on February 14, 2013. Delaying CVN 72 RCOH execution will leave CVN 72 moored at Naval Station Norfolk in a nondeployable condition with increased and unscheduled costs. As a consequence, CVN 72 will be delayed returning to the fleet, which will impact future CVN presence during a period in which the Navy is operating with just ten carriers. Since CVN 72 RCOH, USS *George Washington* (CVN 73) RCOH and USS *Enterprise* (CVN 65) defueling and inactivation have been closely coordinated to maximize use of common facilities (e.g., heel-to-toe in the drydock), delays in CVN 72 RCOH will also impact CVN 65 defueling/inactivation and CVN 73 RCOH.

48. Senator KAINE. Admiral Ferguson, what will be the impact of aircraft carrier availability in the future?

Admiral FERGUSON. Navy remains committed to an 11-aircraft carrier force structure over the next 30 years as shown in the department's 30-year fiscal year 2013 shipbuilding plan, which optimizes overall shipbuilding funds between the aircraft carrier programs and other ship, submarine, support, and amphibious recapitalization plans.

Navy is required by title 10, section 5062(b), to maintain 11 operational carriers, except as modified by section 1023 of NDAA 2010 which authorized a short-term reduction to 10 carriers between the inactivation of USS *Enterprise* (CVN 65) and commissioning of *Gerald R. Ford* (CVN 78). The combined impacts of sequestration and a full-year Continuing Resolution will result in delayed completion of CVN 78, a late construction start for *John F. Kennedy* (CVN 79), delayed completion of the USS *Theodore Roosevelt* (CVN 71) RCOH, and postponed starts for RCOHs for USS *Abraham Lincoln* (CVN 72) and USS *George Washington* (CVN 73), which will reduce the Navy's ability to meet COCOM presence requirements for the foreseeable future.

49. Senator KAINE. Admiral Ferguson, the Navy's planned cancellation of third and fourth quarter ship maintenance will impact surface ship repair workers in the Hampton Roads area. This decision may cost the Navy more in the long run. What are the savings you project from this decision, and the long-term cost of this decision, in the future?

Admiral FERGUSON.

Private Shipyards

- Cancelling scheduled maintenance will result in a workforce reduction of an estimated 7,000 personnel by the end of fiscal year 2013 (3,861 Norfolk personnel).
- Deferrals and cancellations will result in fiscal year 2014 workloads beyond port capacities.
- Replacing lost skilled workers will take years.
- Based on CR and sequestration, total savings estimate for Hampton Roads is $287 million.

Public Shipyards

- Hiring freeze results in workforce being 2,200 below hiring plan by end of fiscal year 2013.
- One day per week furloughs starting in April and minimizing overtime will reduce capacity to accomplish fiscal year 2013 workload by approximately 533,000 man days. Workloads pushed into fiscal year 2014 will result in additional rescheduling and cancellations.
- Approximately $35 million of advanced material purchases required to support the workload will not occur. Purchase of material is still required which creates an unplanned bill for fiscal year 2014.
- Approximately $14 million of required equipment maintenance on industrial plant equipment will not occur. Adds risk to equipment reliability and productivity.
- These actions will result in inefficiencies that will impact complex critical aircraft carrier and submarine availabilities and reduce the number of deployable aircraft carriers and submarines. These inefficiencies will also make it more expensive to accomplish this work in the future.
- The total savings from these actions is still to be assessed.

Long term, the cost of recovery may exceed the warfighting value of the ships and could result in early decommissioning if deferred maintenance backlogs are not completed. The net result could be reductions to Navy surface ship force structure.

- Contractors will increase rates to recover sunk costs.
- Work will be more expensive than inflation rates used in current budget models.
- Ultimately, important modernization work will not occur which will stagnate military capability, and create an even larger backlog of modernization work.

50. Senator KAINE. Admiral Ferguson, what does a decision for deferred maintenance mean for operational deployments?

Admiral FERGUSON. Deferring maintenance will not have an immediate effect on the ability to deploy but could negatively impact the completion of a given deployment creating the need for emergent costly repairs. Cancellation of 70 percent of ship maintenance in private shipyards and all aircraft maintenance in the third and fourth quarter of fiscal year 2013 will affect up to 25 ships and 327 aircraft and create an overall maintenance backlog of about $3 billion.

In the mid-term without proper and timely maintenance and repairs, failure rates will accelerate over time increasing the length and cost of maintenance availabilities, further impacting tight operational schedules.

In the long-term, deferred maintenance will shorten the service lives of our ships and aircraft, impacting force structure and deployment schedules.

51. Senator KAINE. Admiral Ferguson, are we limiting the number of strike groups available to deploy?

Admiral FERGUSON. Navy is not limiting the number of strike groups available to deploy but we are prudently managing the readiness resources while meeting all Secretary of Defense approved CSG presence levels. The Global Force Management Allocation Plan calls for 2.0 CSG presence in CENTCOM, and Navy received relief to go to 1.0 CSG presence. We are managing remaining CSG schedules to sustain 1.0 CSG presence for as long as we can with current and available deployers, rather than have 2.0 CSG presence through fiscal year 2013, with less than 1.0 CSG presence in fiscal year 2014.

52. Senator KAINE. Admiral Ferguson, how are we mitigating this degraded readiness capability?

Admiral FERGUSON. Navy will continue to conduct the maintenance and training necessary to provide trained and ready forces to the combatant commanders at a level ordered by the Secretary of Defense within budget limits authorized by the fiscal year 2013 Continuing Resolution.

QUESTIONS SUBMITTED BY SENATOR JAMES M. INHOFE

NATIONAL SECURITY IMPACT

53. Senator INHOFE. General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, as I mentioned in my opening remarks, Admiral Winnefeld recently stated that he was aware of "no other time in history when we have come potentially down this far, this fast, in the defense budget." He continued that "there could be, for the first time in [his] career, instances where we may be asked to respond to a crisis and we will have to say that we cannot." Do each of you share Admiral Winnefeld's concerns?

General DEMPSEY. Yes.

General ODIERNO. Yes, I agree with Admiral Winnefeld's concerns. After ensuring that soldiers deploying to or already in Afghanistan and those supporting Korea are prepared and ready, the remaining 80 percent of the Army must significantly curtail training today. There may be instances where we will be called upon to respond to a national or global crisis and be forced to make a choice to deploy forces that are not ready, or not be able to respond based on the lack of resources. It could also impact our ability to provide properly trained soldiers to Afghanistan in 2014.

Admiral FERGUSON. We share Admiral Winnefeld's concerns. Simply put, the combined effect of a year-long continuing resolution and sequestration will reduce our Navy's overseas presence and adversely impact the material readiness and proficiency of our force, thus limiting the President's options in time of crisis. We anticipate reducing flight operations and steaming days for our deployed forces, canceling deployments, deferring more maintenance on ships and aircraft, and suspending most non-deployed operations such as training and certifications. This will immediately erode the ability of the force to respond in time of crisis.

General AMOS. As Commandant, I do share Admiral Winnefeld's concerns, but I assure you that we will do everything in our power to protect enduring U.S. global interests that underpin our prosperity. We will meet our responsibilities for rapid response to crises wherever they may occur. Still, the Marine Corps' ability to execute our expeditionary crisis response role is based upon one word—readiness. This requires trained marines, ships at sea, and aircraft in the air. These assets are the foundation of our forward deployed and rotational forces. Without them, not only will our forces become hollow and unable to respond as we are accustomed to, but we will make enduring national interests hollow as well. If insufficient maintenance and operating resources are available, our marines will not be located forward, poised to intervene when our citizens, diplomats, allies or interests are threatened. We will be able to respond to crisis as a nation, but our response options will be limited, and our response times dramatically slowed. When crisis erupts unexpectedly, especially if this occurs far from existing bases or stations, our threatened citizens may have to wait longer for help to arrive. The risk of small-scale crises escalating is increased without forces that can rapidly contain them at their lowest levels. Without ready amphibious ships and well-trained Marine units, there will be less engagement with allies and partners, leading to decreased deterrence for small scale conflict. American leadership in response to unforeseen natural and man-made disasters will be sporadic. Without ready marines, our Nation will forfeit a primary political-military tool that helps to protect U.S. interests, prevent conflict, and enable our joint forces in war.

General WELSH. I am sure we all share Admiral Winnefeld's concern about the impact sequestration may have on the Services' ability to respond to a crisis. Without any changes to the implementation of sequestration, continued downward fiscal pressure could cause an Air Force response to a crisis to fall short of the Nation's expectations.

General GRASS. Yes, I share Admiral Winnefeld's concerns. The defense budget cuts approved under sequestration are too large, too steep, and do not allow enough programmatic flexibility between accounts. While the United States has historically made large cuts in both defense spending and force structure after each war (as is appropriate), previous drawdowns came about after the end of combat operations, which we often concluded victoriously. Cuts under sequestration come at a time when we are not only still fighting in Afghanistan but also continue to face a wide array of other challenges across the globe. Sequestration could preclude us from re-

sponding—rapidly and decisively—to all future global contingencies including those here at home.

54. Senator INHOFE. General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, what short-term and long-term risks do you see to our national security interests around the world?

General DEMPSEY. Over the short- and long-term there will be numerous, evolving threats to our national security interests. I am just completing my annual risk assessment, as required by law, and will soon provide it to the Secretary of Defense for forwarding to Congress. The risk assessment is a classified document that will fully articulate my risk assessment. Should sequestration occur it will force a reexamination of our current National Military Strategy and Defense Strategic Guidance in order to balance ends, ways and means against available resources. Over the long-term, if we have less capacity and fewer resources to shape an increasingly uncertain and chaotic security environment, risks to our forces and our ability to accomplish our national security objectives will be greater.

General ODIERNO. The global security environment is the most dynamic and unpredictable I have seen in my 36-year career. We don't know when we will be asked to send soldiers to do our Nation's bidding, but history shows us that we will. When we do, they must be trained and ready. Sequestration will increase the risk that they will not be prepared to defend the global commons; to respond to natural and manmade catastrophes here and abroad; to fight and win our Nation's Wars; respond to regional crisis, whether in the very unsettled Middle East or the Asia Pacific region; or to fulfill the myriad other requirements in support of combatant commander's plans and contingencies. Our defense strategy contains 11 critical tasks and the Army plays a vital role in 10 of the 11. If sequestration is implemented in full, we will not be able to fully execute these tasks.

Admiral FERGUSON. For more than 60 years, our Navy posture in support of national security has rested upon a foundation of forward-deployed forces that assure allies, deter aggression, and, if necessary, defeat adversaries in conflict. In the near term, we believe sequestration mistakenly signals a lack of U.S. resolve to our allies and partners as well as our potential adversaries, heightening the possibility of opportunistic aggression. Longer term, the absence of sufficient forward-deployed forces creates a power vacuum that threatens the international, rules-based system that has underwritten stability in many parts of the world for decades.

General AMOS. As a steward of the Nation's resources, I will continue to do everything in my authority to maintain a forward deployed and ready force. First and foremost, this means that the units we deploy or rotate forward will be trained and ready for a wide range of military operations. Unfortunately, if sequestration is allowed to proceed, short- and long-term impacts on our national security are unavoidable.

In the short term, risks in our ability to respond to crisis are the most troubling. Our allies and partners understand the tremendous, sustained investment in training and maintenance that empowers our world-leading capabilities, and they understand the damage we will do to those capabilities with what must appear to them as capricious reductions. Because of the magnitude and inflexibility of proposed cuts to defense resourcing, there is a disproportionate impact on O&M funding. The ability to project forces forward, where they provide visible reminders of American strength and commitment, will be reduced. Without forward deployed Marine and Navy forces, our diplomats, citizens, allies, and national interests will be held at-risk for longer periods as response times are slowed. When innocent populations are threatened by armed violence, we will be able to intercede with words alone. When our allies are directly threatened, they may be asked to do the best they can while we gather the elements of our response. When our embassies or diplomats are threatened, they may be asked to wait. These are the short term risks created when ships are not maintained, aircraft are unavailable, and marines are not trained and ready. In non-priority theaters, our ability to respond to unexpected crises will be reduced by lack of strategically mobile forces. In natural disaster, devastated populations may have to wait weeks before assistance arrives. As we scramble to preserve short-term readiness, they will begin to doubt our willingness to sustain that readiness in the places that matter most: forward, in the contested areas of the world.

Over the longer term, these short-term risks erode the credibility of American security assurances and the security of the global order upon which our prosperity and security rests. Allies and partners, without the reassuring physical presence of U.S. forces, even on a rotational or transitory basis, will consider their options for dealing with regional threats. In regions where our influence is contested, our partners may believe their own national interests are best protected by reaching accommodations

with our competitors. Others may feel it necessary to develop weapons that can be wielded independently of the United States or take more severe measures such as militarizing disputed areas. U.S. ability to encourage and develop partners to invest in collective security efforts will be dramatically reduced, shifting much of that burden onto our own shoulders. U.S. weakness and unresponsiveness in natural disaster or man-made catastrophe will further undermine our credibility. Confidence in the survival of a collective world order based on shared interests will be shaken. Unchecked, the forces of extremism, nationalism, and selfish exploitation are likely to fill this void.

General WELSH. In the short term, deep and indiscriminate budget cuts required to comply with sequestration will result in a force unable to maintain required readiness levels. In the long term, three continuing challenges within the strategic environment, amplified by decreased force readiness, will be the primary drivers of risk: (1) an increase in the number of nuclear-armed hostile regimes combined with an expanding capability to reach far beyond their borders will threaten regional stability and increase risk of homeland attack; (2) the growth and proliferation of anti-access/area denial capabilities that will reduce our freedom of action; and (3) an increased access to WMD and advanced weapons by violent extremist organizations that will remain an enduring threat to the United States and its interests worldwide.

General GRASS. The National Guard rapidly expands the capacity of the Army and the Air Force. The National Guard does the same for civil authorities by providing organized, disciplined, and properly equipped military units on very short notice. The Guard can do this because of the institutional procurement, training, educational, and depot-level maintenance programs the Army and the Air Force provide. In the short-term, I see immediate and significant risk to readiness. Curtailing training or slowing the recapitalization will quickly impact the Guard's ability to respond rapidly to contingencies both at home and abroad. I foresee significant risk to National Guard personnel, readiness, and force structure in the longer-term. We must retain our best personnel. To do this, we have to offer them continuing and challenging worldwide training opportunities and operational deployments. The National Guard must also maintain sufficient dual-use force structure to respond to domestic emergencies and to augment and reinforce Active component forces during international contingencies.

55. Senator INHOFE. General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, how would sequestration redefine the United States' national security role in the world?

General DEMPSEY. Sequestration will redefine our national security role in the world. It will reduce our influence and our ability to secure our national interests. Sequester would posture our military to become a less flexible, proactive, shaping force, able to seize fleeting opportunities, and more of a reactive force, focused on combating only immediate threats. 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.

General ODIERNO. Sequestration creates significant risk to national security and will cause us to redefine the Defense Strategic Guidance that was published last year. I understand the seriousness of our country's fiscal situation and we will continue to do our part to be good stewards of taxpayer money, but the magnitude of cuts associated with sequestration will directly impact our ability to sustain readiness today and into the future and to meet the requirements to sustain our national security through the implementation of the Defense Strategic Guidance.

Admiral FERGUSON. The security, prosperity, and vital interests of the United States are tightly coupled to those of other nations in a global system comprised of interdependent networks of trade, finance, and governance; this system has been underwritten and secured by U.S. military power for more than 60 years. Sequestration not only would send ripples of uncertainty throughout this global system; it would also place in doubt our ability to meet current and future warfighting commitments overseas. In short, by undermining the U.S. role as guarantor of a stable, rules-based order, sequestration would threaten U.S. interests and heighten the possibility of instability and conflict.

General AMOS. The United States remains the recognized leader in the collective security arrangements that underpin the stability of the global order. The United States relies on its military to provide a visible and credible deterrent to individuals, groups or States who would otherwise attempt to undermine the peace and security that the current global system provides. Erosion of the credibility of American leadership fundamentally threatens the security of the global order upon which the continuance of a just order and global prosperity rests. Global economic growth,

the rising of billions from poverty, and decline in major world conflict are all derivatives of U.S. security leadership. The pillar of U.S. leadership in the advocacy and protection of this benign global order is irreplaceable. Our security absence from the world's most critical regions begins a process of a thousand cuts to our Nation's credibility, and the gradual decline of this order.

The role of the United States in this world would, of necessity, change. Rather than shaping the conditions that preserve order, the United States would find itself increasingly reacting to the potential disorder that would ensue. Without a stabilizing U.S. presence forward, our ability to prevent and contain crisis would be greatly reduced. The United States would increasingly be forced to react to higher levels of violence and instability as regional competitors, extremists, and even criminal networks seek to exploit a perceived security vacuum. Without a stabilizing presence forward, the United States may find itself without security options in crisis, leading to larger, more expensive security interventions when the Nation's interests demand a response. The United States may find the expense of a reactive role to exceed that of a preventative one. It may find that the cumulative economic impact of global instability vastly exceeds that of preserving its stability.

The role of the United States in this national order will be fundamentally redefined, devolving from "leader" to "participant."

In this reduced role, the moral authority of our ideals and values would suffer a corresponding decline. No longer the ideals of a global leader and powerful advocate, there is significant risk that these would become perceived as only the selfish interests of just another participant in a series of regional challenges.

General WELSH. As the world's security environment becomes ever more complex and dangerous, the effects of sequestration on the Air Force and our Sister Services would make it impossible to perform, in a timely manner and with acceptable risk, the missions the Nation requires. While the Air Force has taken great care to protect the critical capabilities on which our joint, interagency, and coalition partners rely, sequestration will directly impact our full spectrum readiness. National strategic options will be limited and less sustainable, resulting in partners, allies and adversaries who will question our resolve. The Nation will be at greater risk.

General GRASS. The United States today has a military second to none. Sequestration jeopardizes this preeminence. We must maintain the capability to intervene, rapidly and decisively, in furtherance of our national security interests in any worldwide contingency. More broadly, and setting aside potential contingencies, cuts to the defense budget of the size and speed of sequestration may undermine the United States' ability to play the preeminent role in promoting global security and stability. To shape the world in a way that is favorable to the vital national security interests of the United States, we must remain engaged with our friends, partners, and allies—and sometimes potential adversaries—across the globe. Sequestration may preclude the United States from doing this, limiting our strategic choices, and ceding initiative to potential adversaries.

56. Senator INHOFE. General Dempsey, how will sequestration affect our ability to respond to more than one major conflict simultaneously?

General DEMPSEY. Sequestration will cause a significant reduction in both force structure and readiness, severely limiting our ability to implement our military strategy. As stated, it will require us to redefine our strategy, including how we would respond to more than one major conflict simultaneously.

LONG-TERM IMPACT OF SEQUESTRATION

57. Senator INHOFE. General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, we in Congress need to know what's at stake if the budgets proposed under sequestration are allowed to proceed. Can you provide your view of the impact of 10 years of budget caps from sequestration?

General DEMPSEY. If multi-year reductions in funding take place such as those required by sequestration, we will need to do a complete review and revision of our defense strategy and make hard choices about which of our current national defense capabilities we could afford to retain.

General ODIERNO. Ten years of budget caps from sequestration will produce a fundamentally different Joint Force. Reductions of this magnitude would first prompt a review of the national security strategy, military strategy, and the roles and mission of all of the Services. Following this comprehensive review, the Army would then plan, program and implement the forces, capabilities and capacities that the new strategy requires. What the Army may look like after this is based on too many factors to allow a more detailed description. This future Army would likely be sig-

nificantly smaller, with a reduced capability to respond decisively to the range and scope of threats the Nation is likely to face over the next decade. This smaller Army would be concentrated on fewer installations across the country with few forces, if any, stationed overseas. It will impact our ability to shape the geographic combatant commanders' areas of operation in order to prevent conflict. It could put at risk our ability to deter conflict and increase the likelihood of miscalculation from our adversaries or other opportunists who believe we no longer have sufficient capacity or capability to respond.

Admiral FERGUSON. If the discretionary cap reductions are sustained for the full 10 years, we would need to fundamentally change how the Navy is currently organized, trained and equipped. As time allows, we will take a deliberate and comprehensive approach to this reduction, based on a reevaluation of the Defense Strategic Guidance. In doing so, we will endeavor to: (1) ensure our people are properly resourced; (2) protect sufficient current readiness and warfighting capability; (3) sustain some ability to operate forward by continuing to forward base forces in Japan, Spain, Singapore and Bahrain, and by using rotational crews; and (4) maintain appropriate research and development.

- Under a set of fiscal circumstances given in sequestration, our Navy may be reduced to a fleet of about 30–40 fewer ships by 2030, including the loss of at least 2 CSGs.
- We would be compelled to retire ships early and reduce procurement of new ships and aircraft. This would result in a concomitant reduction in our end strength.
- Inevitably, these changes will severely damage our industrial base. Some shipyards will not be able to sustain steady construction or maintenance operations and may close or be inactivated. Aviation depots will reduce their operations or become idle. Aircraft and weapons manufacturers will slow or stop their work entirely. In particular, the small firms that are often the sole source for particular ship and aircraft components will be forced to shut down.
- The contraction of the sub-tier industrial base will ultimately place our major procurement programs at risk since there will be more limited supplies of critical parts and costs will likely increase as a result of these effects.
- In the end, increasing costs for our ships and aircraft, while in a declining budget, will result in reduced procurement quantities and likely contraction of the prime-vendor industrial base as well.

General AMOS. The impacts of the full weight of the Budget Control Act (Sequester Provision) over 10 years have the potential to force a fundamental change in today's Marine Corps. While most discussions to date have focused primarily upon fiscal year 2013 and the readiness implications therein, the size of the annual reduction (in excess of $2 billion/year) to the service top line will demand a complete redress of the Marine Corps size, organization, readiness levels, and infrastructure. The one thing that will remain intact will be a Marine Corps that is the Nation's crisis response force—ready to meet today's crisis, with today's force, today.

In the early years of this 9 year period (less fiscal year 2013), there will be significant reductions to all acquisition programs and O&M accounts in order to fund immediate combat requirements and support our forward deployed forces. These reductions will negatively impact service plans to modernize equipment hard worn during 11 years of combat operations. Further, it will slow reset of equipment returning from Afghanistan. This will, in turn, disrupt the plan to source this equipment to support units and marines as they perform their mission around the globe in uncertain, dangerous times, and will adversely impact the rebalance to the Pacific. Additionally, there will be an erosion of home station/crisis response force readiness that will grow worse over time, and will certainly begin to affect our "next-to-deploy" units. Despite the constrained funding resulting from the CR and sequestration, in the next 6 months we will be able to continue meeting Marine Corps deployed warfighting needs and the training of next-to-deploy forces. Between 6 and 12 months, however, we'll continue to decrement readiness accounts with ever increasing degradation of home station unit readiness and force modernization, and begin to show small impacts in next-to-deploy forces. Beyond 12 months, we will see a real impact to all home station units (e.g. fixed wing squadrons will have on average only five of twelve assigned aircraft on the ramp due to aviation depot shutdowns) and the beginning of impacts to our next-to-deploy and some deployed forces to include our Marine Expeditionary Units aboard amphibious ships—in all a slide to a hollow force we have fought so hard to avoid.

Sequestration cuts will also create an immediate reassessment of programs that are underway as a result of the lessons learned during the hard fights in Iraq and Afghanistan. Further, due to the suddenness and size of the reductions, the first years of the sequestration will generate requirements to fund the additional costs of what could be a significant and difficult reduction in both the civilian workforce and military end strength on top of our ongoing current reduction of 20,000 personnel. Certainly we will have to make hard decisions about eliminating entire procurement programs due to reduced resources over a 9 year period.

Such reductions would not be the result of a change in national strategy or policy, but simply because of these traumatic cuts to funding; such measures are sure to break faith with thousands of marines and civilian marines whose heroic service over the past decade deserves better. The perhaps unintended consequence will be a budget driven change to our strategy and our place in the global community.

General WELSH. Ten years of budget caps from sequestration will result in decreased readiness, reduced force structure capacity and capability, and delayed recapitalization and modernization of aging fleets. Consequently, the appetite for employing Air Force capabilities will have to be suppressed as we simply will not be able to meet currently expected levels of support to national security objectives.

General GRASS. Ten years of budget caps due to sequestration will degrade military readiness, both in the National Guard and in the U.S. military as a whole, over those 10 years and well beyond then. Specifically, we will not be able to maintain the current numbers of trained personnel with concomitant reductions in acquisition, equipment, and facilities. This will no doubt spur much discussion as we go forward as to the value of maintaining force structure within the National Guard so that capabilities are retained and available with the best balance between cost-effectiveness and responsiveness.

58. Senator INHOFE. General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, in your opinion, what will be your end strength?

General DEMPSEY. Ultimately, the Service Secretaries and Chiefs must structure, equip and train forces to meet strategic requirements. The Joint Force requires the right balance of capabilities, force size and structure, and it must be trained and equipped for a range of contingencies. With sequestration we will have to make difficult choices about our force size and capability modernization, which will impact our ability to respond to crises and undertake the Nation's security requirements.

General ODIERNO. Based on the President's decision, which I fully support, military end strength was exempted in fiscal year 2013. However, Secretary McHugh and I are determined to ensure we have the right balance between end strength, readiness, and modernization. Therefore we will have to further reduce the Army by at least 100,000 soldiers with a combination of Active Duty, National Guard, and U.S. Army Reserve reductions. When you add that to the already programmed 89,000 reduction in the Army drawdown you would remove, as a minimum, 189,000 soldiers, but the figure will probably be closer to 200,000. Full enactment of sequestration will draw the Army below the level required to support the current military strategy and could drive personnel actions that could break faith with our soldiers.

Admiral FERGUSON. Sequestration will result in a Navy with a fleet of about 30–40 fewer ships by 2030, including the loss of at least 2 CSGs. End strength reductions are still being assessed, and would be commensurate with the decrease in force structure and the supporting (i.e. training, equipping, and sustainment) infrastructure required to sustain that reduced force.

General AMOS. It is difficult to assess, without detailed analysis against our strategic guidance, what end strength reduction will result from sequestration. There is little doubt that the over $2 billion annual reduction to the Marine Corps' top line authority will cause fundamental change across the service. As we analyze sequestration's impact across our five pillars of readiness; High Quality People, Unit Readiness, Capacity to meet Combatant Commander Requirements, Infrastructure, and Modernization, we face an immediate imbalance when focusing on near-term readiness—our congressionally-mandated responsibility. Fully three-fifths of the Marine Corps' Total Obligation Authority is dedicated to funding personnel. While the President chose to exclude military manpower from sequestration related cuts in fiscal year 2013, this is not the case over the following 9 years. As we begin to apply the reductions in a way that balances readiness, end strength, and modernization, there are significant, hard choices required, one of which may well be a reduction to our final end strength. Such a step may well result in reductions to both the number and seniority of our military personnel as well as cuts to our civilian marine workforce.

This condition is further exacerbated by the fact that the Marine Corps is already in the first year of a 4-year effort to reduce its end strength by 20,000 military members from our wartime footing of 202,100. That drawdown, while challenging, benefitted from both prior planning and the resources required to ensure that we kept faith with those affected marines and their families. In the case of sequestration, these conditions of planning time and resources do not exist. The cost savings associated with manpower reductions will not immediately achieve sufficient savings to offset the magnitude of reductions required by sequestration, and if immediately implemented, the size of these reductions will break faith with marines that have been at war for 11 years. Ultimately the Marine Corps is committed to producing a Marine Corps that balances manpower, readiness, and modernization to provide the most capable Marine Corps that the Nation can afford.

General WELSH. The fiscal year 2013 Air Force military authorized end strength is as follows: Active Duty is 329,460; Air National Guard is 105,700, and Air Force Reserve is 70,880. We have an Air Force corporate process to evaluate and prioritize resources to maintain a balance between people, equipment and funds available. Should our funding and force structure decrease, we would evaluate end strength to ensure it remains in balance.

General GRASS. Our best estimates as to National Guard end strength going forward are based on the levels enacted when the President signed the National Defense Authorization Act for Fiscal Year 2013 last month. That Act provides for 358,200 Army National Guard personnel and 105,700 Air National Guard personnel. Included within these Military Personnel numbers, per title IV of the act, are the 49,390 military (dual-status) technicians who are fundamental to the equipment and personnel readiness of the National Guard Force.

59. Senator INHOFE. General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, what capabilities, missions, and responsibilities that your Service conducts today will be sacrificed in the next 10 years?

General DEMPSEY. As these major budgetary decisions are implemented, the Department will need to evaluate and redefine areas of risk and develop mitigation options. My aim is to have the associated risk be manageable, although the magnitude and speed of sequestration will make this a difficult task.

General ODIERNO. Ten years of budget caps from sequestration will produce a fundamentally different Joint Force. Reductions of this magnitude would first prompt a review of the national security strategy, military strategy and the roles and mission of all of the Services. Following this comprehensive review, the Army would then plan, program and implement the forces, capabilities and capacities that the new strategy requires. What the Army may look like after this is based on too many factors to allow a more detailed description. This future Army would likely be significantly smaller, with a reduced capability to respond decisively to the range and scope of threats the Nation is likely to face over the next decade. This smaller Army would be concentrated on fewer installations across the country with few forces, if any, stationed overseas. It will impact our ability to shape the geographic combatant commanders' areas of operation in order to prevent conflict. It could put at risk our ability to deter conflict and increase the likelihood of miscalculation from our adversaries or other opportunists who believe we no longer have sufficient capacity or capability to respond.

Admiral FERGUSON. If the full magnitude of sequestration is applied against DOD and the Navy's share of that reduction remains constant, the Navy will have to reduce our overall fleet by about 30–40 ships, including at least 2 CSGs. To achieve this reduction we will retire ships early and significantly reduce the procurement of new ships and aircraft such as the P–8A Poseidon, F–35 Lightning II, next generation ballistic missile submarine, and the Littoral Combat Ship.

In addition to being smaller, the fleet will be challenged to field the capability needed to pace emerging threats. New platforms such as the F–35 Lightning II will struggle to arrive in time or in relevant numbers and new payloads such as weapons, sensors, unmanned vehicles and electronic warfare systems will be delayed or cancelled.

A smaller fleet will be challenged to be where we are needed, when we are needed. Slowed capability improvement will make us less relevant to the threat or challenges we will face. We will dramatically reduce our overseas presence; our ability to respond to crises; our efforts to counter terrorism and illicit trafficking; and our material readiness across the Navy (afloat and ashore). In the end, the Navy will be limited in its ability to provide the capability and capacity called for in the current defense strategy and unable to fully support the Global Force Management Allocation Plan for our combatant commanders.

General AMOS. The size, focus, and capabilities of the Marine Corps will directly reflect adjustments to the national military strategy and the commensurate roles and missions assigned to the service as the Nation adjusts to the realities of the funding reductions mandated by the sequester. As in the past, the Marine Corps will adjust and evolve to balance its five pillars of readiness: High Quality People, Unit Readiness, Capability and Capacity to meet Combatant Commander Requirements, Infrastructure, and Modernization to provide the most capable and ready Marine Corps that the Nation can afford.

Based on the extent of the sequestration reductions (over $2 billion/year), the restrictions in applying these reductions in fiscal year 2013, and the extended period in which they are implemented, this adjustment will not be smooth nor efficient. While the discussions surrounding current year impacts provide substantial examples of readiness shortfalls that will lead to future degradations in crisis response capacity, the longer term issues center on the substantial effort that will be required of the Marine Corps to adjust structure, balance tradeoffs, and right size enduring programs to conform to an annual reduction of over $2 billion/year over the next 9 years. The entire procurement account for weapons and ammunition, to include research, development, test and evaluation (RDT&E), is only $2.47 billion in fiscal year 2013 after sequestration. This will require a comprehensive assessment of national priorities and goals and a subsequent review of the Defense Strategic Guidance; there is no question that we will collectively not be able to do all the things we are doing today, and this requires a thorough review of ways, means, and ends to arrive at an optimal solution that meets our national security goals in this uncertain and unstable world.

General WELSH. Current fiscal uncertainties make it extremely difficult to specify which Air Force capabilities, missions and responsibilities will be sacrificed over the next decade. However, we can be certain that significant changes to Air Force capabilities will be required. As General Dempsey said, under sequestration the current strategy is "infeasible." As more specific fiscal and strategic guidance become available, the Air Force will need to conduct a complete review of current and future capabilities in order to ensure support for our national strategy.

General GRASS. The National Guard rapidly expands the capacity of the Army and the Air Force. The National Guard does the same for civil authorities by providing organized, disciplined, and properly equipped military units on very short notice. The Guard can do this because of the institutional procurement, training, educational, and depot-level maintenance programs the Army and the Air Force provide. The reduction in these critical areas would have an immediate impact on National Guard readiness. In a matter of months, our readiness as an operational force for our Nation's defense, and as an immediate Homeland response capability, will erode. Although there is much uncertainty associated with projecting the future security environment, our efforts to build partnership capacity with our interagency counterparts such as the Department of Homeland Security may allow the National Guard to reduce or eliminate some of our support to law enforcement efforts along international borders. Additionally, our reliance on piloted aircraft may be reduced as advances in remotely piloted aircraft technology improve. Some important functions such as finance and personnel management may be outsourced to systems and processes that are more cost effective and efficient than our current construct. Any mission currently conducted by the National Guard that is not aligned with a military core competency, may be sacrificed over the next 10 years.

60. Senator INHOFE. General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, what will the risk be over 10 years to the readiness of your forces?

General DEMPSEY. Military Readiness is the Armed Forces ability to fight and achieve the Nation's security interests. It requires adequate resourcing with people, equipment, training time and funding. If these get out of balance, our ability to support our national security objectives deteriorates. This will result in a much smaller, less capable and less responsive military force in the future, which will require the development of a new National Military Strategy. This revised strategy will likely assume greater risk in the following ways:

- Reduced capability to provide a stabilizing presence, deter war, assure our allies and build their capacity;
- A slower response to conflict resulting in greater aggressor initiative, a more difficult fight, and potentially greater casualties to our force;
- Delayed reconstitution of the Global Response Force post conflict;
- Severely limited ability to address simultaneous cries, or more than one major conflict; and

- Less forces available to support civil authorities in the Homeland while engaged in overseas crises.

General ODIERNO. Ten years of budget caps from sequestration will produce a fundamentally different Joint Force. Regardless of the size and composition of what the resulting Army may look like, we must ensure that it would be a balanced force. At all times, we strive to maintain balance across our manpower, investment, and readiness accounts so that we can produce the most capable force possible.

Decreased maintenance capabilities will directly impact the readiness of all our equipment, from night vision devices to tanks. This significantly increases the risk to our soldiers based on the degraded readiness of our systems. These impacts will ultimately translate into longer response times, longer mission accomplishment times, and increased risk to our soldiers. This will impact our ability to shape the geographic combatant commanders' areas of operation in order to prevent conflict. It could put at risk our ability to deter conflict and increase the likelihood of miscalculation from our adversaries or other opportunists who believe we no longer have sufficient capacity or capability to respond.

Admiral FERGUSON. As described during my testimony, the risk of 10 years of sequestration is a smaller, less ready, less capable force due to reduced investments in training, readiness, and personnel compounded with the added risk that we will not have invested in sufficient innovation and future capability to win against a next-generation threat.

The sustained impact of approximately a 9 percent per year reduction across all Navy appropriations for the next 10 years will magnify the loss of readiness that the Navy is currently experiencing as we respond to shortfalls created by the fiscal year 2013 Continuing Resolution and from the lack of a fiscal year 2013 defense appropriations bill. Over the next 10 years, sequestration will continue to erode unit readiness and further stress the force by placing higher operational tempo demands on our ships, aircraft and personnel. This greater operational tempo will further exacerbate maintenance and readiness challenges on our equipment, and will place a higher burden on our sailors and their families.

Under sequestration, the Navy will be required to reduce the size of our forces. We will be required to retire ships early and reduce procurement of new ships and aircraft. The reduction in force structure over 10 years caused by sequestration will reduce Navy's capacity to surge additional forces in response to crisis and impact our ability to provide persistent forward presence.

General AMOS. The Marine Corps, throughout its modern history, has been the Nation's force in readiness, forward deployed and ready to respond in the world's critical littoral regions to meet any crisis—helping friends and allies, responding to emergencies, and providing the Nation's leaders decision space. This role is central to our organization, ethos, and training and it will remain a focus as we deal directly with the impacts and challenges brought about by the Budget Control Act.

Marine Corps readiness is measured primarily in terms of five pillars of readiness: High Quality People, Unit Readiness, Capacity to meet Combatant Commander Requirements, Infrastructure, and Modernization. Each of these pillars incorporates all the organizations, activities, and programs that make up the service and each, and when optimized, represents a sensitive balance between resources and requirements—the sequester threatens to create a significant imbalance across these pillars.

These imbalances will not necessarily occur simultaneously nor can they be ameliorated concurrently due to the specific elements within each. Short-term readiness issues are impacted by the availability of resources in the O&M accounts that fund unit readiness and equipment maintenance. Over time, reductions in this funding generate significant backlogs and additional requirements for depot maintenance, further driving up depot requirements with reduced resources. Similarly, deferral of maintenance to our infrastructure reduces the overall life of barracks, hangers, motor pools, et cetera, which then generates the need for early replacement. The most significant long term impact to future readiness will be centered on our ability to modernize the force with significantly fewer resources and numerous competing demands. Modernization is the process by which our less capable systems or those exceeding their current programmed life are replaced—preserving resources in the amount necessary to affect the progressive accomplishment of our modernization plans is most at risk as these longer term resources are reduced to fund the most pressing short term readiness impacts.

Underpinning all of this is our most valued asset, the individual marine—and his/her retention, training, and education. Any manpower reductions will necessitate the use of costly separations incentives that require additional resources that would normally resource the training and readiness accounts and which can require such

funding over an extended period of years depending upon the authorities granted by Congress.

The cuts imposed as part of an annualized continuing resolution and sequestration result in a $1.2 billion reduction to O&M in fiscal year 2013 alone and don't account for evolving requirements above current resource levels. The Marine Corps prides itself on being a frugal service that asks only for what it needs and not what it wants. Any cut to our $10 billion O&M budget will entail risk in either the near or long term. A cut of $1.2 billion will immediately affect every aspect of Marine Corps operations and readiness. The long term cuts associated with sequestration will erode readiness, limit crisis response capacity, and adversely affect our Active and Reserve marines, our civilian marines, and their families.

General WELSH. Twenty-two years of high OPTEMPO and combat operations have led to a steady decline in our readiness. Air Force readiness is long-overdue for vital reconstitution. Continuing to sacrifice Air Force readiness because of sequestration jeopardizes the Air Force's ability to fulfill its role in the Nation's current defense strategy. Operations, training, and modernization accounts are currently underfunded and 10 years of sequestration would produce un-manageable risk to meeting national strategic guidance.

General GRASS. The National Guard rapidly expands the capacity of the Army and the Air Force. The National Guard does the same for civil authorities by providing organized, disciplined, and properly equipped military units on very short notice. The Guard can do this because of the institutional procurement, training, educational, and depot-level maintenance programs the Army and the Air Force provide. The reduction in these critical areas would have an immediate impact on National Guard readiness. In a matter of months, our readiness as an operational force for our Nation's defense, and as an immediate Homeland response capability, will erode. If sequestration is fully implemented, the National Guard's ability to support global and domestic missions over the next 10 years will be severely impaired. Our ability to recruit and retain a quality All-Volunteer Force would be degraded to the point that we are left with a hollow force composed of unready and unhappy soldiers and airmen. A sharp decline in schools, training, and exercise budgets would lead to a degradation of required individual and collective skills creating an unqualified force with little or no opportunity for career progression.

FISCAL YEAR 2014 BUDGET

61. Senator INHOFE. Secretary Carter: I understand that the administration is planning towards an end of March release date of the fiscal year 2014 budget. Will your submittal to OMB, which I understand takes place today, include the cuts from sequestration, and if not, why not?

Secretary CARTER. The Department's fiscal year 2014 budget follows the topline guidance provided by OMB. That guidance reflects the $487 billion of cuts that were made in the President's budget proposal for fiscal year 2013, cuts that were consistent with the BCA. Currently that guidance does not reflect large out-year reductions that could occur under provisions of the Balanced Budget and Emergency Deficit Control Act, as amended.

STATUS OF ENERGY INVESTMENTS

62. Senator INHOFE. Secretary Carter, on February 6, 2013, the same day the Secretary of Defense announced that the Truman Carrier Group would not be deploying to the Middle East due to budget cuts, I received a letter from Under Secretary for Acquisitions, Technology and Logistics Frank Kendall, announcing DOD's intent to spend $30 million on the advanced drop-in biofuels production project. This is part of DOD's commitment of $170 million to coax the private sector to build a commercial biofuels refinery. I find the irony a sad testament on the priorities of this administration. I have voiced serious concerns on siphoning away critical defense funds to pay for this administration's green agenda. DOD has budgeted approximately $1.6 billion for operational energy initiatives just for 2013 and another $9 billion over the next 5 years and another $4 billion for renewable energy projects is planned for solar panels, net-zero facilities, biofuel refineries, and other projects on military installations. The unprecedented diversion of over $14 billion in critical defense dollars could be used to support our military's warfighting capabilities, including purchasing more ships, more F–35s, and higher degrees of readiness for the warfighter. Given the dire funding situation facing the armed services, what guidance have you provided to curtail investments in alternate energy technologies?

Secretary CARTER. DOD's energy investments focus on enhancing our military capabilities, increasing our mission success, and lowering costs.

Ninety-six percent of DOD operational energy investments over the next 5 years are to reduce fuel use. These investments are built into modernization plans for our planes, ships, and combat vehicles. These upgrades are primarily meant to increase the range, endurance, and lethality of DOD systems, but also have the effect of increasing energy efficiency. Only 4 percent of operational energy investments are related to alternative fuels, and these investments help ensure that our forces can operate on a broader range of fuels than petroleum, including not just biofuels, but also gas-to-liquid and other fuels. These investments will necessarily be reduced under sequestration.

The Department is not planning to spend $4 billion on renewable energy facility projects. Most renewable energy projects (such as solar arrays) on DOD bases are privately financed and require no DOD investment. DOD is making significant investments in facility projects that will increase energy efficiency and pay for themselves by reducing our utility bills.

If sequestration is implemented, my guidance to the Department will be to prioritize our energy investments to emphasize those that have relatively short payback periods.

63. Senator INHOFE. Secretary Carter, is DOD still committed to the use of $170 million in defense funds to build a commercial biofuels refinery?

Secretary CARTER. I believe this question is in reference to one specific project, undertaken in partnership with the private sector and the Departments of Energy and Agriculture, which have the lead roles for the Federal Government in promoting biofuels. The Nation's long-term energy security would benefit from a competitive, domestic renewable fuels industry; as a major consumer of liquid fuels, the Department would benefit from that industry as well. This initiative is subject to a rigorous review process, as are all Defense Production Act projects, and no awards will be made unless the proposals have merit and the private sector can at least match Federal investment. If sequestration is implemented in fiscal year 2013 and beyond, and if the Continuing Resolution is extended for a full year, all Department investments will have to be reconsidered, including this one.

64. Senator INHOFE. Admiral Ferguson, the Department of the Navy announced with great fanfare and press releases last August the use of alternate fuels in fleet ships—fuel that the Navy paid $12 million to purchase at over $27 per gallon. Now, many of those fleet ships will not be steaming at all because of defense budget cuts. If every $1 rise in gas prices costs $30 million, a $27 increase in fuels costs due to the forced use of biofuels would add up to about $660 million. A recent DOD report revealed that the biofuels program will amount to an extra $1.8 billion a year in fuel costs for the Navy alone. Faced with delaying critical deployments and maintenance actions, does the Navy intend to pursue goals for the use by the fleet of alternate fuels?

Admiral FERGUSON. In a time of declining budgets, investment in energy efficiency for ships and airplanes, and in developing viable alternative fuels, becomes even more important. Energy efficiency investments not only enable cost savings but also increase combat capability of Navy platforms. Investments in alternative fuels afford a degree of protection from rapid price increases in the cost of petroleum, as has occurred many times in U.S. history and with recent increasing frequency.

Together, our energy efficiency initiatives and the potential for affordable alternative fuels improve our combat capability, enhance our mission effectiveness, and reduce vulnerability to an increasingly volatile petroleum market.

Limited quantities of alternative fuels previously purchased were required for test and qualification. The Navy is committed to only purchasing fuel for operational use that is cost competitive with conventional fuels.

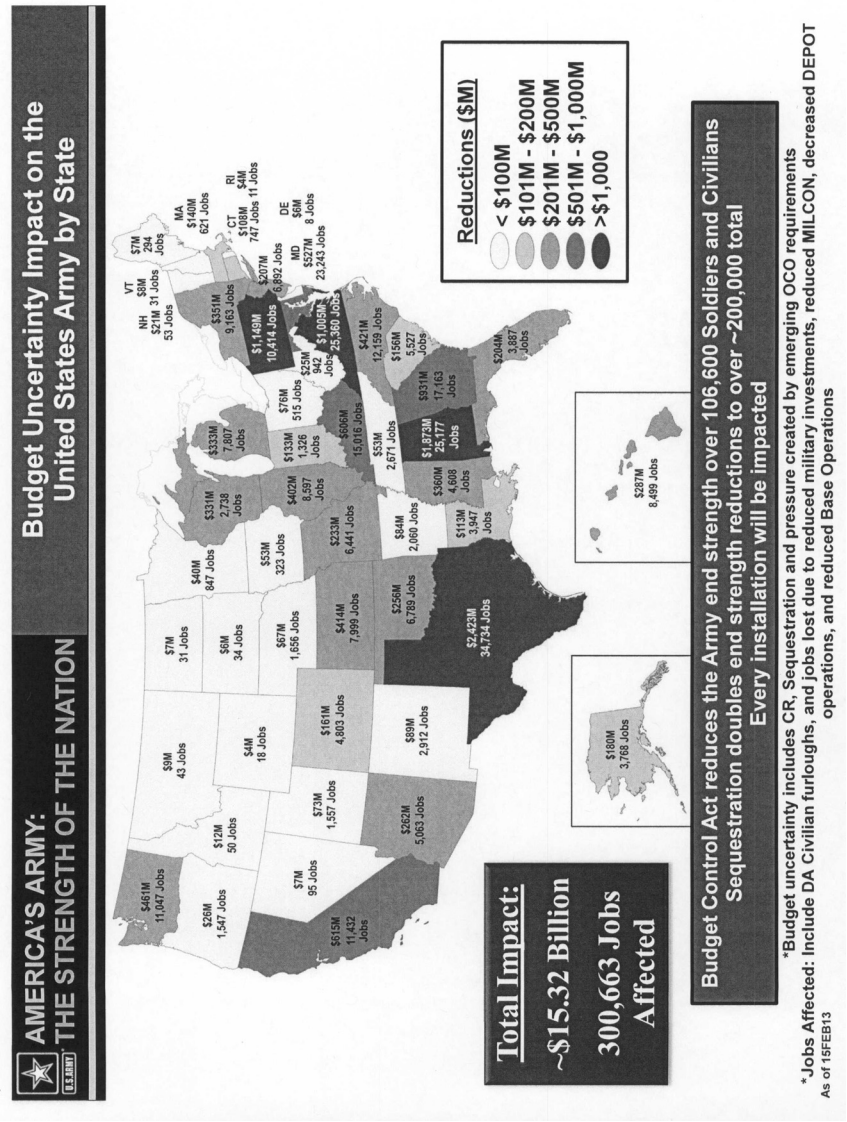
65. Senator INHOFE. Admiral Ferguson, given the budget shortfalls, is the Navy committed to purchasing only the most economical fuel for operations that meet mission requirements over the next 5 years?

Admiral FERGUSON. Yes, the Navy is committed to only purchasing fuel for operational use that is cost competitive with conventional fuels.

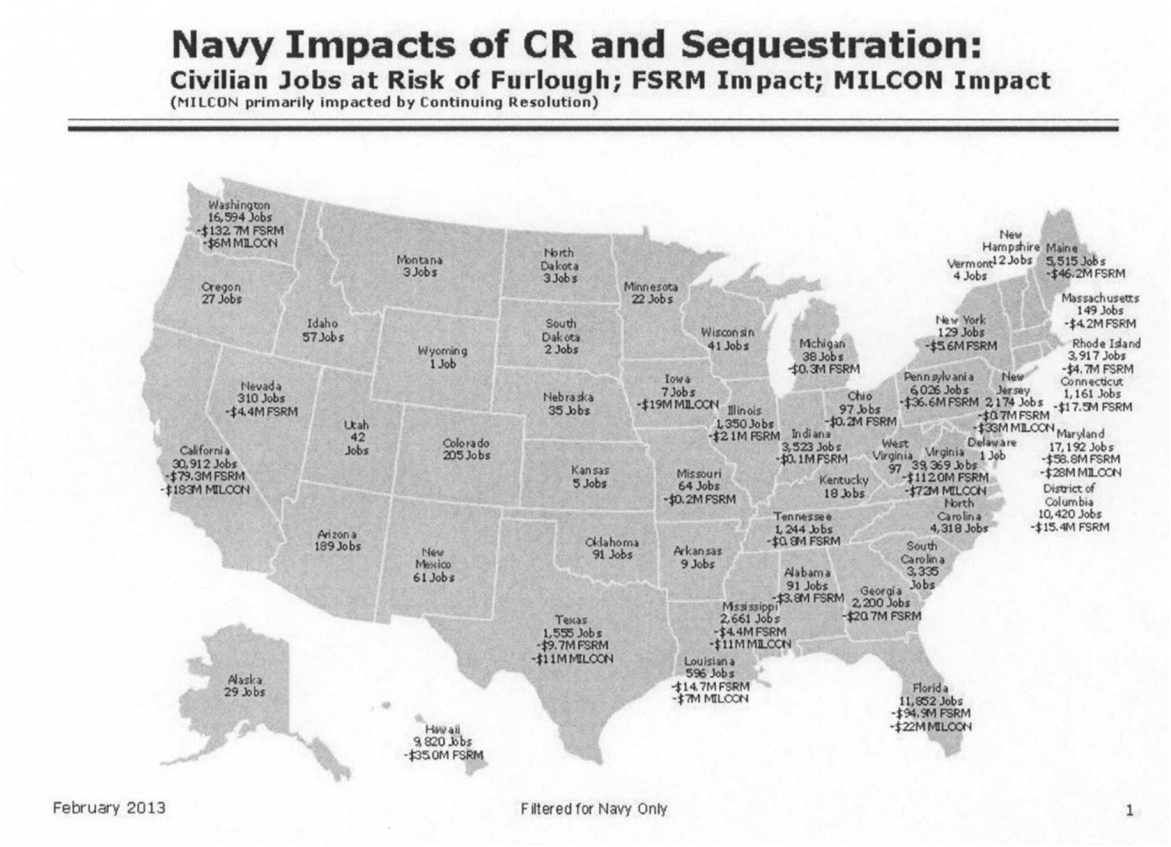
STATE-BY-STATE IMPACTS

66. Senator INHOFE. General Odierno, Admiral Ferguson, General Amos, and General Welsh, please provide State-by-State information similar to what the Air Force provided to the committee on February 11, 2013 (pasted below).

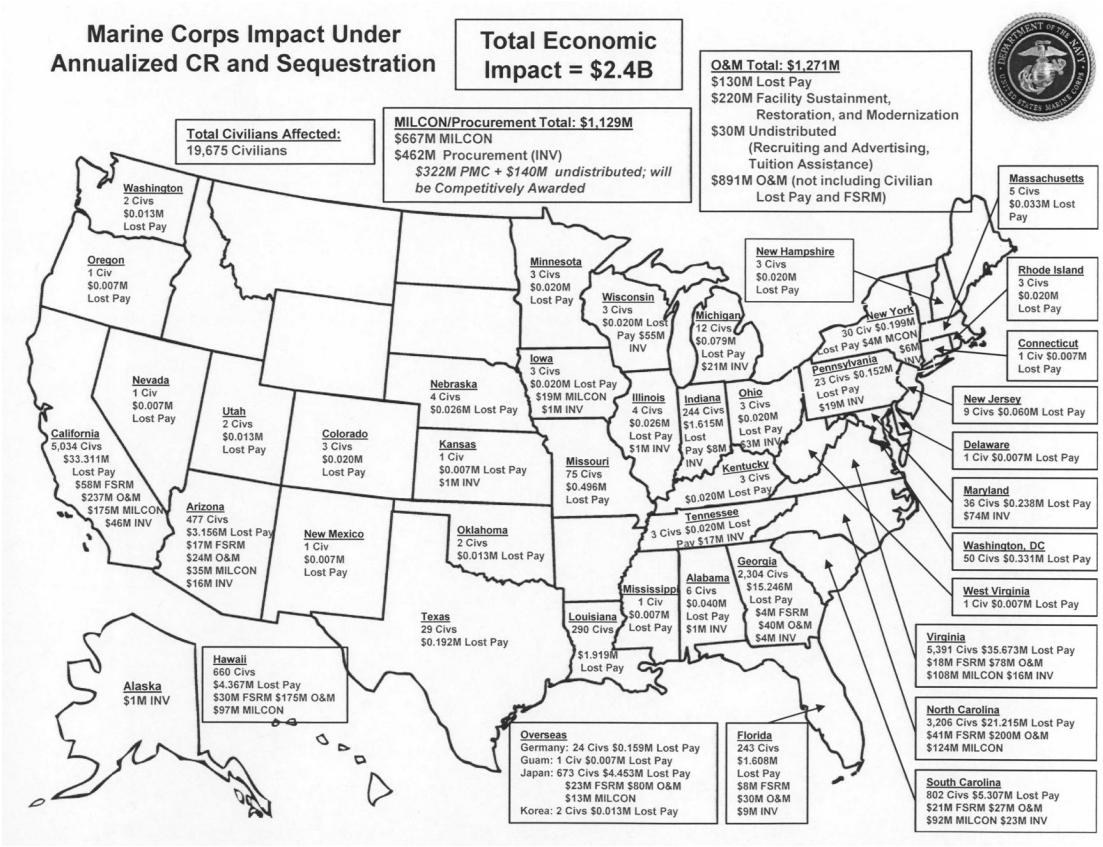
General ODIERNO. See Attached G8 PDF (Budget Uncertainty Impacts - U.S. Army)



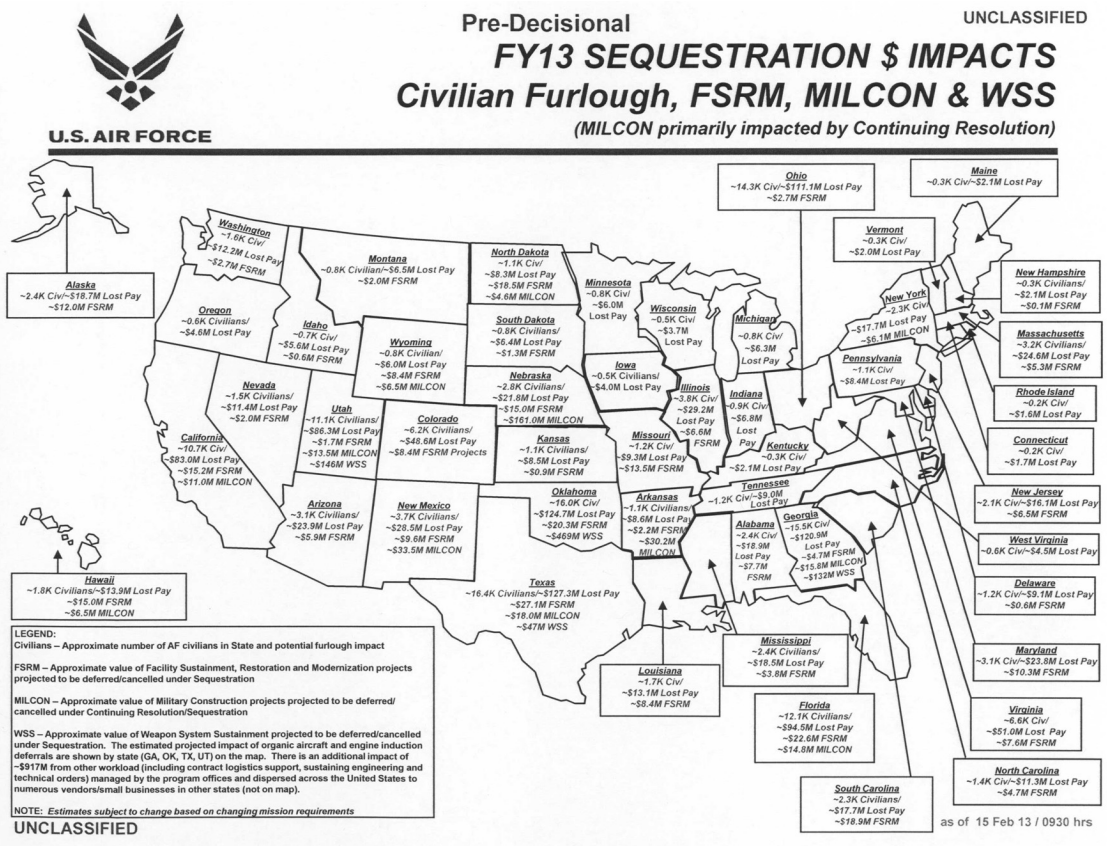
Admiral FERGUSON. The Navy State-by-State diagram is attached.



General Amos. The USMC updated State-by-State diagram is attached.



General WELSH. The Air Force updated State-by-State diagram is attached.



TRUMAN CARRIER STRIKE GROUP DELAY

67. Senator INHOFE. General Dempsey, last year you told "Face the Nation" on CBS that Iran has "invested in capabilities that could, in fact, for a period of time block the Strait of Hormuz," but "we've invested in capabilities to ensure that if that happens, we can defeat that." What role do our CSGs play in deterring Iran from taking aggressive actions in the Arabian Gulf or other important areas in the CENTCOM area of responsibility (AOR)?

General DEMPSEY. [Deleted.]

68. Senator INHOFE. General Dempsey and Admiral Ferguson, as I mentioned in my opening statement, Secretary Panetta announced the indefinite delay of the deployment of the Truman CSG to the CENTCOM region. In addition to the impact on deterrence of Iran, what will the lack of a two-carrier presence mean for other ongoing CENTCOM operations and reassurance of partners in the Gulf region?

General DEMPSEY. [Deleted.]

Admiral FERGUSON. On 6 February, the Navy delayed the deployment of the *Harry S. Truman* CSG to CENTCOM by up to 6 months to reduce spending. Additional resequencing and delays of three other CSGs planned for CENTCOM is in progress which will reduce the CSG presence in that region to the funded amount, one aircraft carrier presence. A similar reduction of Navy-Marine Corps ARG is planned if sequestration occurs, which will create multi-month gaps in ARG coverage in CENTCOM during 2014. These overall reductions still maintain a Carrier in CENTCOM and another in Pacific Command (PACOM), with a surge capability if required.

Through the Navy's Force Generation Process, we are committed to keeping one carrier operating forward and the ability to surge forward in the event of a crisis.

Surge capacity enables the U.S. Navy to maintain ships to deploy on short notice in the event they are needed to respond to national security contingencies.

The United States will continue to maintain a robust military presence in the CENTCOM region, including the current carrier presence and a mix of other assets, to fulfill enduring commitments to our partners. The U.S. military remains ready to respond to any contingency and to confront any threat in the region.

69. Senator INHOFE. General Dempsey and Admiral Ferguson, will you be able to mitigate the impact or will you have to accept more risk in the Middle East?

General DEMPSEY. [Deleted.]

Admiral FERGUSON. The Navy will continue to meet its commitments as adjudicated by the Global Force Management Allocation Process (GFMAP). The GFMAP reflects a prioritization of combatant commander (COCOM) needs against the forces available to meet these needs. While we have been able to provide between two to three CSGs and two to three Amphibious Ready Groups (ARGs) to meet COCOM needs worldwide during the year, the resources we have today will only support one to two CSG/year and a like number of ARGs—this will mean more risk will have to be assumed somewhere. We will only be able to tell where this additional risk will manifest after the GFMAP has assigned available forces.

70. Senator INHOFE. Admiral Ferguson, what were specifically the major reasons to hold the Truman in port?

Admiral FERGUSON. In our assessment, it was more prudent for us to delay Truman to be able to deploy later this summer and for George Bush to deploy later this year or early next year and conserve the O&M funding, to provide continuous coverage in the Middle East for as long as we can rather than have two carriers now with little to no CSG presence in fiscal year 2014.

WRITTEN TESTIMONY FOR THIS HEARING

71. Senator INHOFE. General Odierno, Admiral Ferguson, General Amos, and General Welsh, I've had the opportunity to read each of your written statements and I appreciate your candid assessments. This committee expects our Nation's military leaders to be able to provide us with honest and complete testimony without political interference. Each of you during your confirmation hearings assured us that you would give your personal views, even if those views differ from the administration in power. I'd like to know from each of you (yes or no) whether the substance of your written statements were edited or altered by the OMB and if so, can you summarize for me the qualitative parts of your statement that were edited?

General ODIERNO. No.

Admiral FERGUSON. No, the review and edits made by OMB did not change my statement in a substantive way.

General AMOS. We prepare our responses with assistance from many sources. Yes, OMB reviewed my statement and provided input. I assure you that I would not, will not, and did not provide you anything that I believe was not my best military advice. Any OMB suggestions I received were evaluated by me and either accepted, modified, or rejected. My testimony is my best military advice.

General WELSH. The Air Force did receive suggestions on minor edits of our statement from the OMB, but the substance of the Air Force statement was not altered.

IMPACT OF SEQUESTRATION ON AIR FORCE AND DEPOTS

72. Senator INHOFE. General Welsh, I am aware that after 22 years of sustained combat operations, the Air Force is already facing a range of challenges in pilot training production, aircraft availability rates, and lower readiness rates for certain limited mission sets that are in high demand. At the current plan for funding, is the Air Force already facing the prospect of hollowing out readiness through 2018 even if sequestration does not occur?

General WELSH. The Air Force has taken risk in full-spectrum readiness to support the current fight and to modernize for the Anti-Access/Area Denial (A2AD) environment. While special emphasis has been placed on regaining full-spectrum readiness, the AF requires time, reduced deployment rates, and additional resources to train for a near-peer adversary with advanced capabilities.

73. Senator INHOFE. General Welsh, can you provide details on the impact of significant cuts to the Air Force flying hours programs? Specifically, how many squadrons of aircraft will be parked?

General WELSH. Sequestration will result in a loss of over 200,000 flying hours. We will protect flying operations in Afghanistan and other contingency areas, nuclear deterrence and initial flight training. Fencing these hours will result in a shortfall for remaining units; roughly two-thirds of our active duty combat Air Force units will curtail home station training beginning in March and will drop below acceptable readiness levels by mid-May. Most, if not all units, will be completely nonmission capable by July.

74. Senator INHOFE. General Welsh, what will be the impact on pilot readiness this year and over the next 10 years?

General WELSH. Sequestration will have immediate, devastating, and long-term impacts on pilot readiness, particularly in our combat air forces, where two-thirds of our active duty units will curtail home-station training beginning in March and will drop below acceptable readiness levels by mid-May. Further, advanced flight training will be curtailed on or near 1 Apr and initial flight training will be curtailed late August/early September, interrupting vital training pipelines. The average pilot career length according to rated management modeling is 10–15 years, meaning the devastating impacts on training activities now will create a pilot shortage over at least the next 10 years.

75. Senator INHOFE. General Welsh, in the area of weapon system sustainment, a 30 percent reduction in funds will result in at least 146 postponed depot inductions/grounded aircraft, and 85 engines pulled from service—meaning a one-third reduction in depot workload. Given these are maintenance actions that because of lost time cannot be recovered without forgoing other planned work, impacts to future readiness are almost inevitable. If sequestration results in lower defense budgets over the next 10 years, how will the Air Force recover, and at what cost?

General WELSH. The recovery effort must focus on reversing all adverse effects of sequestration to weapon systems, supply chain, and workforce. The focus will be on regenerating and reprioritizing workload requirements, hiring/rehiring civilian personnel, and reinvigorating the supply chain. In some cases, we will need contractor sites to restart dormant lines impacted during sequestration to meet production demands. A balance of force structure, modernization programs, and weapon system sustainment funding will be required to recover Air Force readiness levels. Other programs would potentially need to be restructured, reduced and/or terminated. Absorbing these reductions would impact readiness, potentially "hollowing out" the force until a comprehensive recovery effort can take effect. The potential billions of dollars lost in funding for total force weapon system sustainment activities would result in significantly increased costs to recover due to rehiring efforts, training new

personnel, re-establishing supply chain linkages, as well as normal expected cost growth.

SEQUESTER IMPLICATIONS FOR U.S. NUCLEAR FORCES

76. Senator INHOFE. Secretary Carter, General Dempsey, Admiral Ferguson, and General Welsh, according to the President's 2010 Nuclear Posture Review (NPR), an important basis for reducing the role and numbers of nuclear weapons is that "U.S. allied and partner conventional military capabilities now provide a wide range of effective conventional response options to deter and if necessary defeat, conventional threats from regional actors." (p.15). That "as the role of nuclear weapons is reduced in U.S. national security strategy, these non-nuclear elements [including a forward U.S. conventional presence and effective theater ballistic missile defenses] will take on a greater share of the deterrence burden." (p.xiii). Would a reduction in our conventional capability require us to reassess our nuclear posture?

Secretary CARTER. As the Secretary and I have stated repeatedly, reductions of the scale that would be imposed by sequestration would have devastating effects on the ability of the U.S. military to accomplish its missions. If sequester occurs, the administration will seek to maintain a strong nuclear deterrent as part of the President's comprehensive approach to nuclear security. That said, sequester-level reductions would require some very hard choices and, in principle, all elements of the defense program—including conventional and nuclear forces—would be on the table.

General DEMPSEY. As Secretary Panetta previously stated, reductions of the scale that would be imposed by sequestration would have devastating effects on the ability of the U.S. Armed Forces to accomplish their missions. Such reductions would require some very hard choices and, in principle, all elements of the defense program—including conventional and nuclear forces—would be on the table. It would be premature to speculate which parts of the force would bear the brunt of the reductions.

Admiral FERGUSON. Our nuclear posture has always been an iterative process to properly balance our conventional and nuclear capabilities, as well as the needs of our allies. Given this is a balance between nuclear and conventional, a dramatic change in our conventional capabilities would compel us to assure ourselves that the nuclear component remains adequate.

General WELSH. As reflected in the current NPR, maintaining and modernizing the Air Force legs of the Triad and dual-capable aircraft are critical to our Nation's security and remain top Air Force priorities. Even though the Air Force is committed to providing the Nation a safe, secure, and effective nuclear deterrent, the impact of sequestration will force some difficult choices.

77. Senator INHOFE. Secretary Carter, General Dempsey, Admiral Ferguson, and General Welsh, does this not make it even more important to follow-through with the nuclear modernization commitments that were made by the President to secure Senate support for the New START treaty?

Secretary CARTER. Please refer to my answer to question #76.

General DEMPSEY. As Secretary Panetta previously stated, reductions of the scale that would be imposed by sequestration would have devastating effects on the ability of the U.S. Armed Forces to accomplish their missions. Such reductions would require some very hard choices and, in principle, all elements of the defense program—including conventional and nuclear forces—would be on the table. It would be premature to speculate which parts of the force would bear the brunt of the reductions.

Admiral FERGUSON. Nuclear deterrence remains a high priority. However, changes in the underlying fiscal assumptions would warrant a reassessment of the nuclear part of our force structure in order to accommodate some savings. Modernization of the nuclear weapons enterprise remains critical in ensuring that the nuclear weapons stockpile remains safe, secure, and effective, and continues to provide deterrent value to the Nation.

General WELSH. Nuclear modernization is an important objective for the Air Force, and we remain committed to a safe, secure, and effective nuclear deterrent. As reflected in the current NPR, maintaining and modernizing the Air Force legs of the Triad and dual-capable aircraft are critical to our Nation's security and remain top Air Force priorities. The Air Force will continue to provide the leadership focus and institutional excellence on nuclear deterrence necessary to support the President's comprehensive approach to nuclear security. Even though the Air Force is committed to providing the Nation a safe, secure, and effective nuclear deterrent, the impact of sequestration will force some difficult choices.

78. Senator INHOFE. Secretary Carter, General Dempsey, Admiral Ferguson, and General Welsh, if the United States must now depend more on its nuclear deterrent to compensate for weaknesses in our conventional capabilities (due to the decline in defense spending anticipated over the next 10 years), why then is the President exploring further nuclear reductions with Russia, as has been reported in the press?

Secretary CARTER. Please refer to my answer to question #76.

General DEMPSEY. As Secretary Panetta previously stated, reductions of the scale that would be imposed by sequestration would have devastating effects on the ability of the U.S. Armed Forces to accomplish their missions. Such reductions would require some very hard choices and, in principle, all elements of the defense program—including conventional and nuclear forces—would be on the table. It would be premature to speculate which parts of the force would bear the brunt of the reductions.

Admiral FERGUSON. Strategic dialogue with our Russian counterparts is extremely important in maintaining strategic stability. Mutually verifiable reductions that contribute to strategic stability could be advantageous to both of our countries, and ultimately reduce the funding necessary to support an inventory of the size we have today.

General WELSH. The Air Force has not been made aware of any policy determination that the United States will depend more on its nuclear deterrent to compensate for any potential weaknesses in our conventional capabilities caused by the decline in defense spending anticipated over the next 10 years.

79. Senator INHOFE. Secretary Carter, General Dempsey, Admiral Ferguson, and General Welsh, what will be the impact of a sequester on the current readiness of our nuclear deterrent as well as plans to modernize all legs of the triad in the coming years: a ballistic missile submarine (which is already 2 years delayed); a strategic bomber (which won't be nuclear certified at the outset); a nuclear long-range standoff missile (delayed by 2 years); and a follow-on Intercontinental Ballistic Missile (ICBM) (still under analysis)?

Secretary CARTER. If the Department did not have sufficient funding to extend the life of the ICBMs, this leg of the Triad would atrophy, at a minimum. Stretching out the other strategic programs would increase costs in the long run, thus further reducing our overall buying power. I strongly oppose sequestration, which would be disastrous to the Department.

General DEMPSEY. We have not made any decisions on how to reduce costs under sequestration. We have made clear; however, that nothing will be off the table in our review of how best to proceed. If the Department did not have sufficient funding to extend the life of the ICBMs, this leg of the Triad would atrophy, at a minimum. Stretching out the other strategic programs would increase costs in the long run, thus further reducing our overall buying power.

Admiral FERGUSON. In the short term, there would be no impact to Navy nuclear readiness. It is critical that we maintain a continuous at-sea nuclear deterrent, and SSBN O&M will continue to be fully funded, though this will come at the expense of funding SSN O&M. In the long term, reductions to *Ohio* Replacement (OR) R&D funding would lead to program delays and pose significant risk to the OR SSBN being ready to replace retiring *Ohio* SSBNs in the 2030s. Additionally, modernization of *Trident* missile could be significantly slowed and would impact strategic readiness.

General WELSH. Under sequestration, Air Force Global Strike Command faces severe impacts to critical mission capabilities and readiness. Sequestration will reduce Air Force Global Strike Command's ability to meet mission requirements by approximately 20 percent.

Even though the Air Force is committed to providing the Nation a safe, secure, and effective nuclear deterrent, the impact of sequestration will force some difficult choices. The effects of sequestration will negatively impact the modernization schedules for new systems which are currently synchronized with National Nuclear Security Agency programs. Reductions in funding would alter schedules and create a disruptive effect to our modernization programs, driving additional costs for unplanned life-extension programs.

80. Senator INHOFE. Secretary Carter, General Dempsey, Admiral Ferguson, and General Welsh, Russia and China are deploying a new generation of ICBMs and Submarine Launched Ballistic Missiles (SLBM). If the United States does not go forward with the modernization of its triad, isn't this tantamount to unilateral disarmament?

Secretary CARTER. The administration is committed to a safe, secure, and effective nuclear deterrent as long as nuclear weapons exist. As reflected in the 2010 NPR,

maintaining the Triad and modernizing our nuclear forces and the nuclear weapons infrastructure are—and will remain—national security priorities. If sequester occurs, the administration will seek to maintain a strong nuclear deterrent as part of the President's comprehensive approach to nuclear security. That said, sequester-level-reductions would require some very hard choices and, in principle, all elements of the defense program—including conventional and nuclear forces—would be on the table. If the Department did not have sufficient funding to extend the life of the ICBMs, this leg of the Triad would atrophy, at a minimum. Stretching out the other strategic programs would increase costs in the long run, thus further reducing our overall buying power.

General DEMPSEY. The administration is committed to a safe, secure, and effective nuclear deterrent as long as nuclear weapons exist. As reflected in the 2010 NPR, maintaining the Triad and modernizing our nuclear forces and the nuclear weapons infrastructure are—and will remain—national security priorities. If sequester occurs, the administration will ensure continued focus on maintaining a strong nuclear deterrent as part of the President's comprehensive approach to nuclear security.

Admiral FERGUSON. As stated in the NPR, the United States is committed to a safe, secure, and effective nuclear deterrent. All platforms and systems degrade over time. Our TRIAD is no exception. Modernization of the TRIAD remains crucial in ensuring strategic stability between the United States and both China and Russia. We are committed to doing everything within our power to maintain the level of readiness of our existing force; however, sequestration will impact the transition timing for the SSBN(X) program. We are looking at ways to avoid a slowdown in this program. Nuclear deterrence is extremely important, so serious thought must be given before potentially taking irreversible actions given the current fiscal environment, and we will make this effort.

General WELSH. The Air Force is committed to providing the Nation a safe, secure, and effective nuclear deterrent. As reflected in the current NPR, maintaining and modernizing the Air Force legs of the Triad and dual-capable aircraft are critical to our Nation's security and remain top Air Force priorities. If sequestration occurs, the Air Force will ensure continued focus on maintaining a strong nuclear deterrent as part of the Nation's comprehensive approach to nuclear security although some difficult choices will have to be made.

RISK WASTING MORE THAN WE SAVE

81. Senator INHOFE. Secretary Carter, Secretary Hale, General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, I understand that because of the indiscriminant way that sequestration will be applied and the lingering impacts from the CR, DOD may be forced to take many actions—including canceling contracts, decertifying capabilities, and foregoing training—that will result in short-term cost-savings but will have adverse long-term budgetary consequences. The Navy has provided the example that it will be forced to shut down all flying for four of nine carrier air wings in March, which will take 9 to 12 months to restore normal readiness at two to three times the cost. Do you agree that the hidden costs of sequestration may actually nullify any savings anticipated to be gained through a sequester on DOD?

Secretary CARTER and Secretary HALE. The combined effects of a continuing resolution at the fiscal year 2012 base budget levels and sequestration will create inefficiencies throughout the Department which will drive up metrics such as unit cost and push requirements for funding into future years. The law requires certain net savings, which will have to be achieved. The inefficiencies will increase the size of the program changes needed to achieve these net savings.

General DEMPSEY. If sequestration is allowed to occur—requiring us to reduce spending by a total of $1 trillion over the next 10 years for the Joint Force—it will cause a spike in program inefficiency and increase military risk by starting, stopping, and stretching out programs, which inherently drives up costs and delays warfighter capabilities. Training backlogs caused by sequestration will increase costs and add unnecessary risk. Most significantly, it will severely limit our ability to implement our defense strategy; it will put the Nation at greater risk of coercion; and it will break faith with the men and women who serve this nation in uniform.

General ODIERNO. The Army agrees that the hidden costs of sequestration may actually nullify any savings anticipated to be gained through sequester. First, in order to protect the direct war effort and other critical programs like Wounded Warriors, the Army has significantly reduced funding for training, equipment and facilities readiness. The Army has been forced to reduce funding for both institutional

and unit training. In reducing institutional training, the Army will increase the backlog of functional and professional military education courses. In addition to affecting unit readiness due to untrained leaders, the student backlog will take years to clear and drive higher costs for increased capacity/throughput in our institutional training base. The Army will face similar timelines and increased costs to regain unit training readiness. The lack of unit training resources forces equipment maintenance to be deferred and warfighting skills to atrophy. The longer the current budgetary conditions persist, the greater the cumulative effect the Army will face from deferred maintenance and the lack of realistic, high-level unit training. This again will take years to recover from and will drive significant costs, likely exceeding any realized savings generated through sequestration. Similar to equipment, facility sustainment will be deferred for all activities other than life, health and safety. The costs to the Army will increase the longer sustainment is deferred and conditions are allowed to degrade. In the extreme, it is possible that facility conditions could degrade to the point where more costly military construction would be required to replace a facility because restoration is no longer possible. This is a great concern with National Guard and Army Reserve facilities.

The second area of hidden costs that will likely offset any realized savings through the continuing resolution and sequestration is Army service contracts and acquisition programs. The Army has hundreds of contracts in place providing services ranging from trash collection to headquarters support. Many of these contracts are no longer affordable given the revised budget caps and the Army has few options—terminate, modify, or replace with borrowed military manpower—all of which will likely drive higher costs. Any attempt to terminate existing contracts will likely incur penalties that will offset the expected savings. Contract modifications will require the renegotiation of each individual contract, which is likely infeasible given the possible civilian furlough, and may also incur increased costs. If the Army seeks to replace services with borrowed military manpower, it will incur not only the higher cost of the soldier, vice contractor, unit readiness will also suffer as soldiers are pulled from their units.

The impact of the continuing resolution and sequestration will also greatly affect Army acquisition programs. We know the immediate impacts of sequestration in this fiscal year alone would result in the loss of over $3.2 billion and 9,200 jobs from over 200 programs impacting 39 States and the District of Columbia. The impacts of sequestration on acquisition programs and science and technology (S&T) efforts will go beyond the identified costs and effects discerned in the current fiscal year. Each program affected by over $2.6 billion in cuts will encounter greater susceptibility to future delay and cost brought about by risks imposed by sequestration. To absorb these reductions, current year activities and procurement buys will be delayed or reduced to meet sequestration targets. These changes will extend program schedules, increase unit costs and add to our programs' overall risk in fiscal year 2014 and beyond. Lastly, we also risk losing critical expertise in the S&T base and the defense industrial base as a result of fiscal year 2013 impacts. As it stands today, our analysis shows S&T programs would be reduced by $311 million; thereby potentially impacting academic institutions and the defense industry across all 50 States and the District of Columbia this year alone. The long term impacts of these cuts on our ongoing and future acquisition efforts are potentially significant.

Admiral FERGUSON. Significant funding cuts of the magnitude of sequestration require force structure reductions—reductions that require a new defense strategy and take time to implement. These cuts, when done in a planned fashion, first show up in reductions to acquisitions via reduced equipment modernization followed by down-stream savings in operations and manpower as legacy systems are retired.

Sequestration cuts equally from all accounts (except MILPERS), driving immediate reductions to maintenance and training. Much like an automobile owner who chooses to skip a series of oil changes today to realize near-term savings, eventually his decision will result in the need for a costly engine overhaul later, the downstream costs of cancelled maintenance (facilities, ship, aircraft, equipment, et cetera) is both reduced operational availability and much higher depot-level type repairs in the future.

General AMOS. Yes, we foresee numerous costs that will result from the implementation of sequestration both now and in the future.

Any interruptions during program acquisition will ultimately increase the total program cost, as schedule slips and delays result in longer contracts, loss of efficiencies, negative impacts on development and production schedules, program restructures and potentially cause Nunn-McCurdy breaches. In procurement, existing contracts will have to be renegotiated which will prevent the Marine Corps from receiving the Economic Order Quantity pricing, especially those that result from

multi-year procurements such as MV–22. Loss of the MV–22 multi-year procurement will add $1 billion to total program cost and increase H–1 unit costs as well.

We will also have to sustain legacy systems longer than planned, which will ultimately drive up current operation and support costs. We will have to shift our attention to developing/replacing obsolescent parts for legacy systems that are no longer available in the market place, which will shift the workforce to a focus of reengineering old and inefficient technology. (e.g. sustaining 5 legacy radar systems will cost more than employing one new Ground/Air Task Oriented Radar). Finally, technologies designed to improve efficiencies (fuel, lightweight armor, et cetera) will have to be postponed, preventing the Marine Corps' from reaping planned savings while simultaneously driving up costs due to the use of older, more expensive technologies.

We also expect to see significant equipment backlogs at our depots, which, unless additional funds are applied, will be impossible to overcome. Similar to the acquisition of new systems, delays at our depots will result in lost efficiencies, delays in conducting necessary maintenance on legacy equipment, and disrupt maintenance timelines throughout the Marine Corps. Further, we expect that reductions in force and furloughs of our civilian workforce will result in loss of unique skill sets as highly skilled, highly trained civilian marines leave the workforce. Should this occur, we will be required to rehire and retrain new personnel, resulting in additional cost and delays.

In the area of O&M, the Marine Corps will have to mortgage the future to pay for readiness today—we will have to forgo necessary modernization and sustainment to support our forward deployed forces. We are tasked by Congress to be the most ready when the Nation is least ready. In order to accomplish this, we have been forced to make sacrifices in our modernization and infrastructure sustainment accounts to pay for the readiness of today's force. This will mean that we will be forced to delay the purchase of new equipment and maintain legacy equipment for longer periods of time, incurring greater maintenance cost. Further, our facilities will not be sustained at planned rates, meaning that maintenance will be delayed or omitted, hastening the deterioration of buildings and driving up long term costs and the ability to properly train our force.

General WELSH. Sequestration has devastating impacts on current and future capability, and drives significant cost increases. In our weapon system sustainment account, deferred maintenance will drive inefficiencies to our working capital funded activities, which results in execution year losses and increased rates in the future. In our flying hour program, reduced training will result in increased shortfalls in our pilot pipeline, which will require years of surge training (which is not currently budgeted) to recover and a potential shortfall in instructor pilots. In our acquisition portfolio, across the board reductions will result in program stretches, restructures and possible terminations—all of which defer or reduce capability and drive weapon system unit costs higher. Sequestration is not a good way to achieve reductions, indiscriminate, across the board reductions wreak havoc on programs, drive inefficiencies, reduce readiness and hinder our modernization efforts.

General GRASS. I agree. If we cease all equipment reset and sustainment efforts and stop unit-level training just even for the remaining 7 months of the fiscal year, the backlogs would take 2 years or more to work through just to regain our current readiness levels. It could cost more in time and money to retrain and requalify military skills for our personnel than it would to sustain their skill and qualification levels now.

82. Senator INHOFE. Secretary Carter, Secretary Hale, General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, please provide some other examples of the hidden costs of sequestration.

Secretary CARTER and Secretary HALE. If sequestration and a year-long continuing resolution both occur, they will be added to costs in many ways. They will lead to higher unit costs for weapons. We will be forced to sign uneconomically short contracts to minimize near-term costs. Time available to achieve more efficient operations will instead be wasted on replanning to meet legal requirements. But the biggest problem associated with sequestration and a year-long Continuing Resolution is the damage it will do to national security through sharp cuts in readiness and disruption and delay in investment programs.

General DEMPSEY. I will defer to the Service Chiefs to provide specific service impacts.

General ODIERNO. The Army believes the term 'hidden costs' is actually a misnomer. The year-long continuing resolution and sequestration is effectively forcing the Army to delay must-fund costs to the future. These are not 'hidden costs,' they

are known costs. Three specific examples are provided below for equipment sustainment and procurement, and facility sustainment.

A reduction of inductions and throughput into Army depots will result in equipment shortages in Active and Reserve component units. Reset of equipment that is not identified for a deploying unit will be delayed. This will create a bow wave and increased demand in fiscal year 2014 and beyond, and may take 3 to 4 years to recover. Equipment that will not be reset includes 1,000 Tactical Wheeled vehicles, 14,000 communication devices and 17,000 weapons. Impacts to some units will be a 14 percent or more impact to unit Equipment on Hand readiness; units include: 3rd Infantry Division (Georgia), 4th Infantry Division (Colorado), 10th Mountain Division (Louisiana and New York), 25th Infantry Division (Alaska and Hawaii), 101st Airborne Division (Air Assault) (Kentucky) and 82d Airborne Division (North Carolina). All of this equipment must be reset eventually, so we are simply deferring costs to the future. As we lose buying power, individual costs per item will increase. The full extent of this inefficiency is not known until we renegotiate multiple contracts with industry.

A prime example of the inefficiencies imposed by the continuing resolution and sequestration reductions is the procurement of new equipment. While the full impact is not yet known, we are anticipating all new equipment procurement programs to incur schedule delays, reduced quantities or increased unit costs. For example, the Army is unable to begin a multi-year procurement of CH–47 helicopters under the current continuing resolution and will likely incur at least a 20 percent increase in unit cost if forced to forgo a multi-year procurement contract vehicle.

The Army is also reducing the funding for Facilities Sustainment, Restoration, and Modernization (SRM). Facility Sustainment is being reduced by 70 percent to support only life, health and safety requirements, and the Army is cancelling all fiscal year 2013 Restoration and Modernization projects on Army installations. The impacts are significant and affect all three components—Active, Guard, and Reserve. Eventually, these facility repairs will have to be addressed. As the infrastructure deteriorates, it will cost more to fix and we may be forced to buy new. There are no 'hidden costs' in sequestration, just deferred costs and less efficient use of government resources.

Admiral FERGUSON. If faced with sequestration, Navy would be forced to consider the following potential costs and impacts:

- Cancel deployments (rolling sked): 10 Destroyers (DDG) (7 are Ballistic Missile Defense (BMD) in fiscal year 2014), FFGs
- Delay *Harry S. Truman* (CVN 75) CSG deployment; reduce Middle East CSG presence 50 percent
- Cease workups for two CSGs (*Ronald Reagan* (CVN 76), *Carl Vinson* (CVN 70))
- Cancel *Bataan* (LHD 5) ARG Deployment
- Shut down four of nine Carrier Air Wings (CVW) 9 to 12 months to restore readiness at 2–3x cost
- Stop nondeployed ops that do not support predeployment training
- Reduce nondeployed operations for predeployment training
- Cut WESTPAC deployed ops by ~35 percent; Nondeployed PAC ships steaming days cut ~40 percent
- Cancel ops to South America (Continuing Promise - USNS *Comfort*)
- Cancel non-BMD deployments to Europe in fiscal year 2013
- Reduce exercises (e.g., Malabar, Carats, Foal Eagle)
- Reduce CONUS and OCONUS port visits
- Lay-up four combat logistics force ships
- Cancel three ship depot avails (rolling schedule) in San Diego, CA ($72 million)
- Defer emergent repairs to USS *Porter* (DDG 78) ($125 million) and USS *Miami* (SSN 755) ($339 million in Maine)
- Reduce System Commands (SYSCOM) fly-away emergent repair travel teams
- Delay/defer combat vehicle, weapon, trainer maintenance
- Delay up to 20 CVN/Submarine public shipyard availabilities
- Cancel F–35B testing w/USS *Wasp* (LHD 1); further program delay
- May have to execute a civilian furlough (~186k eligible) for 22 work days ($448 million)
- Reduce throughput of new pilots/flight officers in flight training 44 percent
- Cancel midshipmen summer training programs
- Cancel third and fourth quarter Blue Angels shows ($28 million), community outreach programs (e.g.-Fleet Week)

Investment Actions:

- Reduce Investment in ships, aircraft, weapons, R&D (by $7.75 billion)
- DDG 51 advance procurement at risk ($46 million) in Maine, New Jersey, Mississippi
- Defer *Lyndon B. Johnson* (DDG 1002) contract awards in Mississippi, Massachusetts, and Maine ($90 million)
- Delay Moored Training Ship (MTS) award in Norfolk ($28 million)
- Defer DDG 65 (San Diego, CA) DDG 58 (Norfolk) Mod ($44 million)
- Reduce procurement quantities: JSF ((-4) 2 x F–35B, 2 x F–35C), UH–1Y/AH–1Z (-3), P–8A (-1), E–2D (-1), JPATS (-3), MQ–8C (-2) [Increases current/future unit pricing]

Impacts:

- Unable to meet approved fiscal year 2013/2014 GFMAP deployments
- Immediate coverage gaps in multiple COCOMs
- *John C. Stennis, Dwight D. Eisenhower, Ronald Reagan, Theodore Roosevelt CSGs will shut down at various intervals, with 9 to 12 months required to restore normal readiness*
- By October 13, CONUS forces will require 9+ months to deploy due to maintenance and training curtailments
- Less readiness for 9 surge sealift, 22 RRF ships (including T–AH ships)
- One CSG surge-capable in fiscal year 2013
- Zero surge-capable ARG in late fiscal year 2013 and into fiscal year 2014
- Multi-year recovery to private sector industrial base
- Furloughs likely to contribute to delayed maintenance for CVNs/Subs in public shipyards; reduced hours of operation at bases, medical facilities, business offices, port ops; reduced acquisition oversight, auditing and investment planning/execution analysis
- Navy civilians could lose up to 20 percent of salary through a furlough.

General AMOS. The hidden costs of sequestration are manifold and not merely limited to funding. They include the qualitative costs to operational readiness, forward presence, training, and building partnerships.

For the Marine Corps, sequestration cuts will result in $2.4 billion of reduced economic opportunity in fiscal year 2013 for local communities as we cut military construction contracts, facility restoration contracts, procurement of equipment, recruiting advertising contracts, tuition assistance, and implement furloughs. In these fiscally uncertain times, this will dramatically impact the bottom line of local small businesses, disrupt well-established community partnerships, and have an adverse impact on the economy of the communities that surround our bases and stations.

Cuts to our O&M funding will delay necessary maintenance and reset of our aging equipment that is returning from 11 years of combat overseas. Commanders will be forced to forgo necessary maintenance as they selectively apply their limited resources. This will result in the elimination of some preventive maintenance, which will cause a higher failure rate to equipment and less equipment available for training. This will increase depot requirements where we have already sustained significant reductions. Supply, training, and maintenance are key aspects of readiness and it can readily be seen from this example that all will be affected by sequestration. We predict over 55 percent of USMC forces (ground combat, logistics, and combat support) will have unsatisfactory readiness ratings, which will have a dramatic impact to respond when called upon by the Nation.

Numerous contracts have Foreign Military Sales partners, and a reduction in support for a particular weapon system will cause our FMS partners to look to other countries to acquire like type capabilities due to increases in cost or schedule slips. This will result in lost revenue for U.S. companies, a loss of trust with our partners and allies, and a lack of compatible equipment should we deploy to a conflict with these partner nations.

Sequestration will also force prime contractors to pass the cuts directly to their supplier base, many of which are small businesses. Small businesses provide essential and unique skills such as military-grade precision tooling and advanced composites manufacturing that are critical to the procurement of our weapons systems. As a result, these small businesses will be forced to either increase unit costs or pull out of defense work and look to the commercial sector to remain viable.

Under the cuts imposed by sequestration, we will have to reduce our civilian workforce which will further chip away at our readiness; our civilian marines make a significant contribution in all aspects of Marine Corps operations, from family readiness to maintenance to command and control. Over 95 percent of civilian marines work outside the National Capital Region. We expect we will potentially have to eliminate thousands of positions across the Marine Corps in order to meet the

long term budget reductions mandated by sequestration, and as such, the services that our marines and their families rely upon will also be reduced or eliminated. This will have a detrimental effect on the local communities surrounding our bases and stations, many of which rely heavily on DOD for employment. We also expect that we will have to cut or curtail many family readiness programs to include eliminating paid family readiness officers in some units, cutting teen and youth programs, and closing morale, welfare, and recreation facilities. This will have an adverse impact on our families at home station and will negatively affect their personal well being and stability.

Sequestration is driving the DOD to a level of funding that will affect all aspects of our operations. The cuts to O&M will have a widening ripple across all aspects of readiness hindering the Marine Corps' ability to respond to crises, take care of its families, preserve our relationship with our local communities, and support a strong economy.

General WELSH. In our weapon system sustainment account, deferred maintenance will drive inefficiencies to our working capital funded activities, which results in execution year losses and increased rates in the future. In our flying hour program, reduced training will result in increased shortfalls in our pilot pipeline, which will require years of surge training (which is not currently budgeted) to recover and a potential shortfall in instructor pilots. In our acquisition portfolio, across the board reductions will result in program stretches, restructures and possible terminations—all of which defer or reduce capability and drive weapon system unit costs higher. Deferred/delayed facility sustainment will lead to more costly repairs as our units will only be able to accomplish emergency repairs. Cancelled or restructured contracts in all areas (operations and acquisition) will need to be renegotiated potentially at higher prices. In some instances, unit quantity costs will increase.

General GRASS. The longer-term costs of sequestration, in terms of our Nation's military readiness and in terms of the investment that would then be needed to restore that readiness, are substantial. If we cease all equipment reset and sustainment efforts and stop unit-level training just even for the remaining 7 months of the fiscal year, the backlogs would take 2 years or more to work through just to regain our current readiness levels. It could cost more in time and money to retrain and requalify military skills for our personnel than it would to sustain their skill and qualification levels now.

SHORT-TERM SEQUESTRATION

83. Senator INHOFE. Secretary Carter, there has been speculation recently that sequestration may be allowed to occur for just a few weeks until political points can be scored in the course of a compromise. I find this an appalling risk to our national security. We are already seeing the deterioration of our readiness with the decision to hold back the Truman CSG. What damage will be caused to our national security by even a short-term sequestration?

Secretary CARTER. The combined effects of a Continuing Resolution and the scale and manner in which sequestration reductions would be imposed would force the Department to take cuts in accounts that support current operations, training, and maintenance in order to find immediate savings. As a result, even a short-term sequestration would lead to immediate, visible, and serious effects. The Military Departments and combatant commands would have to begin reducing their global activities and forward presence, assuming increased risk in our ability to assure partners and allies and prevent and deter conflict. Training for the missions identified in the Defense Strategic Guidance would also begin to be curtailed and maintenance would begin to be deferred, eventually creating backlogs that could take several months to a year or more to correct depending on the length of sequestration. As a result, readiness levels of the Joint Force to execute emergent missions that are critical to U.S. national security would be severely degraded and our ability to respond to potential crises or contingencies would be hampered.

84. Senator INHOFE. Secretary Carter, once March 1st passes and sequestration kicks in, what do you believe will need to happen to our Armed Forces before the President and Congress decide that sequestration should not continue?

Secretary CARTER. As Secretary Panetta and I have said for over a year, sequestration will have devastating effects for national defense. These effects will include furloughs, degraded readiness, maintenance cutbacks, and disrupted investment programs. In the near term, these reductions would create a crisis in military readiness, especially if coupled with an extension of the Continuing Resolution (CR) under which we currently operate. In the long term, failure to replace these large

and arbitrary budget cuts with sensible and balanced deficit reduction would require a revision of U.S. defense strategy. This is why I continue to urge Congress, in the strongest possible terms, to avoid sequestration by devising a comprehensive and balanced deficit reduction package that both the House and Senate can pass and that the President can sign. The goal should be to avoid sequestration altogether and not calculate how much further stress our Armed Forces can endure by allowing sequestration to take effect for some period of time.

CURRENT READINESS

85. Senator INHOFE. General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, your letter to this committee dated January 14, 2013, a copy which is attached, stated the following: "The readiness of our Armed Forces is at a tipping point . . . . Under current budgetary uncertainty, we are at grave risk of an imposed mismatch between the size of our Nation's military force and the funding required to maintain its readiness, which will inevitably lead to a hollow force." Can you describe for me the risk to the warfighter by underfunding readiness this year and over the next 10 years?

General DEMPSEY. Military readiness is in jeopardy due to the convergence of unprecedented budget factors. If sequestration is enacted, we will be unable to implement our defense strategy; it will put the Nation at greater risk of coercion; and it will likely break faith with the women and men who serve this nation in uniform.

Over the next decade approximately one third of these cuts would come from our force structure. The other two-thirds would occur in our modernization, compensation and readiness accounts. During the next few years we will be forced to disproportionately cut our modernization and readiness funds to pay for personnel and infrastructure, a recipe for a hollow force. In addition, the sequestration mechanism in fiscal year 2013 restricts our flexibility to maintain a balanced force by cutting every account equally. Lastly, end strength caps in the 2013 National Defense Authorization Act restrict our ability to manage the force drawdown, and therefore inhibit our ability to reduce spending efficiently and responsibly. When legislation inhibits our flexibility to touch individual parts of the budget to include necessary force structure reductions, readiness accounts inevitably pay the price.

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

We need time to deliberately evaluate trade-offs in force structure, modernization, compensation and readiness; we need flexibility to allocate our resources to our highest priorities; and we need budget certainty. That is, we need the antithesis of sequestration—namely, a steady, predictable funding stream and the flexibility to ensure we retain the best military force in the world.

General ODIERNO. While in the near-term the Army can continue to ensure the readiness of all soldiers in Afghanistan, those next to deploy, those stationed forward in Korea, and possibly the Army's Global Response Force, we are concerned that in doing so we are creating a hollow Army that may not be able to respond to the challenges of an uncertain world. The impact of the continuing resolution and sequestration has caused the Army to focus training resources on next-to-deploy units and to accept significant risk in the training of non-deploying units. The Army will no longer be able to train next-to-deploy units to the highest level of readiness prior to deployment, equipment readiness will continue to decline and the leader development backlog will expand. Additionally, the Army will not have trained forces available to respond to emerging contingencies in a timely manner. Restoring adequate readiness across the force will take years and significant resources.

The Army will be unable to maintain the readiness of the current force at the levels we are accustomed given the budget caps associated with sequestration. Reductions of this magnitude would likely prompt a holistic strategic review and generate a fundamentally different Army. The Army would have to rebalance across its manpower, investment and readiness accounts, which would likely drive a reduction in the size of the Army in order to maintain a modern and trained force.

Admiral FERGUSON. Navy is prioritizing the readiness of our deployed and next-to-deploy forces to meet our commitment to provide ready forces to the combatant commanders and our obligation to our sailors deployed globally. If readiness is underfunded for the remainder of this year and into the future, our capacity to surge additional forces will be degraded and material condition of the force will suffer.

With decreasing levels of funding, our ability to sustain the full level of training for future deploying forces will be impacted and we will be unable to sustain ready forces to meet our global commitments—hollowing the force. Unless this situation is resolved in the very near term, the time to recover readiness will be lengthy, and the damage to our industrial base may take years to recover.

General AMOS. Over the past 10 years, the Marine Corps has been able to maintain a high state of readiness in our forward deployed units supporting Operation Iraqi Freedom and Operation Enduring Freedom. We have been able to do this through our responsible use of the OCO dollars provided by the taxpayer. The Marine Corps is extremely grateful for this; the OCO money provided has allowed us to purchase equipment specific to the missions for those operations and to purchase equipment to protect our marines against the types of unique and emerging threats that exist in these environments. However, much of this equipment purchased to sustain the National Strategy in Iraq and Afghanistan does not meet the future strategic and operational requirements that we see for the Marine Corps. Furthermore, much of our standard equipment sets are deployed forward supporting the theater of operations, leaving home station units with an equipment deficit. At current funding levels, we expect it will take up to 18 to 24 months after forces have left Afghanistan to reset the equipment through our depots.

Our Marine Aviation Units maintain a high state of readiness at all times to respond to contingencies and commitments throughout the globe. At any given time, two-thirds of Marine Aviation Units are committed: one-third are deployed and one-third are preparing to deploy. The effects of sequestration and the Continuing Resolution equates to an approximately 20 percent reduction in flight hours, curtailment of depot maintenance throughput, and fewer spares due to decreases in Aviation Depot Level Repairable funding. Limited flying hours and available mission ready aircraft creates a negative effect on readiness. In addition, lack of operational funds, i.e. training range support, ordnance, TAD for training directly impact readiness.

In December 2012, 73 percent (38 of 54) of all our flying squadrons met the COCOM minimum deployable combat readiness level of C2. By December 2013 (if sequestration is enacted and we remain under a CR), only 66 percent (35 of 53) of our flying squadrons will met the COCOM minimum deployable combat readiness level of C2.

In December 2015 (if sequestration is enacted and we remain under a CR), we anticipate seeing a reduction in aviation readiness to 47 percent (25 of 53) of Marine Aviation flying squadrons meeting the COCOM minimum deployable combat readiness level of C2.

Looking ahead to the next 10 years, underfunding readiness this year will challenge our plans to reset and reconstitute the force. The Marine Corp planned to focus fiscal resources on non-deployed unit training and equipment readiness. The effects of sequestration on the warfighter may not be felt immediately, but will delay the depot reset of equipment by at least 18 months.

Sequestration will also affect our funding for critical training exercises such as our Integrated Training Exercise at the Marine Corps Air Ground Combat Center, Twentynine Palms, California, and pre-deployment training and deployment certification exercises for our Marine Expeditionary Units (MEUs) as well as other units deploying to meet geographic combatant commander requirements. Exercises such as these are critical to maintaining our unique Marine Air Ground Task Force forward presence and crisis response capability. Sequestration will also affect long-term readiness by forcing us to reduce equipment purchases and curtail modernization programs. Ultimately, shortfalls in funding will impede the Marine Corps from executing the aforementioned large exercises, degrade the ability of the Marine Corps to meet readiness standards, impede reset and modernization, and create a negative readiness trajectory that would require ever-increasing resources to reverse.

Finally, limited O&M funds will impact our rotational forces' ability to conduct Theater Security Cooperation (TSC) exercises and build partner capacity, reducing our allies interoperability and eroding confidence in U.S. commitments abroad.

General WELSH. The Air Force's capabilities and responsiveness will be severely degraded, thus creating unmanageable risk and limiting national strategic options. Ultimately, the risk due to reduced readiness during a conflict increases loss of American lives and over the next 10 years could limit our ability to project national power.

General GRASS. If sequestration is fully implemented, the National Guard's ability to support our warfighting missions over the next 10 years will be severely impaired. Our ability to recruit and retain a quality All-Volunteer Force would be degraded to the point that we are left with a hollow force composed of unready and unhappy warriors. A sharp decline in schools, training, and exercise budgets would

lead to a degradation of required individual and collective skills creating an unqualified hollow warfighting force with little or no opportunity for career progression.

86. Senator INHOFE. General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, how would you assess the readiness of your combat forces right now?

General DEMPSEY. As a matter of routine, we assess the readiness of the Armed Forces through the Joint Staff's input to the classified Quarterly Readiness Report to Congress. Today our forces are postured globally, conducting counterterrorism, stability, and deterrence operations, maintaining a stabilizing presence, conducting bilateral and multilateral training to enhance our security relationships, and providing the crisis response capabilities required to protect U.S. interests. In the event of an unexpected crisis, large-scale conflict, or a threat to the homeland, ready forces are available to provide the surge capacity to meet wide-ranging operational challenges.

General ODIERNO. I believe our combat forces are the most experienced and capable in generations. We have been able to reset a few of our combat systems such as Tanks and Bradleys. However, the high operational demand on Army combat units of the previous 10 years has significantly impacted aviation, stressed our truck fleet and other soldier equipment that is yet to be reset. Our manning has been stressed even more. Non-available soldiers consistently represent 15 percent of the Force, which impacts our ability to meet specific grade and skill requirements. Shortages of precision munitions affect our ability in support of combatant commands and OPLAN requirements. Furthermore, after nearly 12 years of a Counter Insurgency focus, we must re-establish our skills in Decisive Action in support of Unified Land Operations. The Army's current readiness is focused on counter insurgency. With the projected drawdown and our requested funding, the Army was projected to grow our capacity to respond to other contingencies. Under sequestration and other budget uncertainties, it will take the Army longer to prepare, and have significantly less capacity to respond to unknown contingencies, increasing risk significantly.

Admiral FERGUSON. Navy forces deployed globally today are fully trained and ready. We are already preparing our next-to-deploy forces to be fully ready as well, although we have requested and received relief on the total number we will deploy for the remainder of the year. The overall readiness of the force will degrade as we selectively extend some deployments, cancel maintenance availabilities, and reduce training for those units not deploying in the near term.

General AMOS. Readiness of our deployed forces remains at the highest levels and is my number one priority. However, high readiness levels for our deployed force come at the expense of our nondeployed forces. Equipment and personnel have been sourced globally from non-deployed forces to support deploying units and theater manning requirements, resulting in reduced readiness of the nondeployed units. Almost two thirds of non-deployed units report significantly degraded overall readiness in executing their core missions. Sixty-five percent of the nondeployed units report equipment shortfalls and 34 percent of nondeployed units report personnel shortfalls.

General WELSH. Currently, about one half of our Air Force combat forces are below an acceptable readiness level.

General GRASS. Overall, the current readiness of our combat forces is sufficient to meet our global commitments in support of combatant commanders and the requirements of our national strategic priorities. We are focusing our efforts toward improved personnel readiness in occupational specialties and professional education which are essential in retaining a quality All-Volunteer Force. Our readiness has been on the rise as deployments have decreased. We have made gains in our institutional training, medical readiness. These gains are at risk if proposed sequestration actions are fully implemented, our ability to sustain combat ready forces (especially for fiscal year 2014 and beyond) would be severely degraded.

87. Senator INHOFE. General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, how close are we now to a hollow force?

General DEMPSEY. I have described my concerns about creating a hollow force only in the context of sequestration. If sequestration is detriggered, the Joint Force will remain capable of supporting the National Military Strategy and Defense Strategic Guidance. Should sequestration occur in combination with the continuing resolution, it will produce measurable declines in unit-level readiness within 1–3 months. Within 3–6 months declines in unit level readiness will result in significant cancellations to major exercises and planned deployments. Sequestration will force

a rapid drop in readiness levels, while recovery will take several times longer. Due to training cycles, deferred maintenance, and the pace of current operations, recovery from several months of sequestration will take years. These near-term impacts drive long-term uncertainty in our capability and capacity to effectively execute our current strategy.

General ODIERNO. If we begin executing sequestration cuts in the last 7 months of fiscal year 2013, we are moving dangerously close. I view a hollow force as an Army that has prolonged and disproportionate investment across manpower, O&M, modernization, and procurement without corresponding adjustments to strategy. The Army, without both adequate funding and the flexibility to manage the funds we do have available, would be forced to make resourcing decisions that would only accelerate and compound inequalities and risk in the force to other OPLANS in the future. Some examples:

1. Available personnel would be shifted from non-deployed to deploying forces in order to meet operational demands. This would exacerbate personnel shortfalls geometrically each month and place at higher risk combatant commander operational plans.
2. Equipment would be migrated from non-deployed to deploying forces in order to fill shortages due to incomplete reset and redistribution, or shortages arising from the lack of equipment retrograded from theater. Again, this would jeopardize combatant commander operational plans in an ever increasing manner each succeeding month.
3. Shortage of repair parts would drive cannibalization and reduced training events will significantly impact our ability to build readiness. This would have a compounding effect on the capability of our equipment and the effectiveness of Army units.
4. Soldier training. Perhaps no other example is as important. We would not be able to fully train our soldiers, neither through individual professional military education nor collective unit training, that would meet the demands to successfully operate in a joint, interagency environment across the range of military operations (from stability operations to decisive action). After the current fiscal year, the deficit in forces trained in Decisive Action would further compound our inability to meet higher end OPLANS.

The force would grow in "hollowness" each month that the Army was forced to re-distribute resources, funding, and training, most importantly soldiers from non-deployed forces to support current operations without the necessary resources to prepare for contingency operations.

Admiral FERGUSON. The term "hollow" force is a descriptive term that is not a function of time, so I cannot say how "close" we are to being hollow. "Hollow" describes a path that leads to a force not ready where it matters, when it matters. It involves training, maintenance and people, with people being the key symptom. While the immediate readiness impacts of actions we have taken to date are limited, there are many long term implications for the material readiness of the force, the expected service life of our platforms, the health of our industrial base and our people should we continue to operate without the resources we need. The longer we continue down the path we take now, the maintenance, training, and time required to return to full readiness with a stabilized funding level will become even more protracted.

General AMOS. The continuing resolution and sequestration will immediately begin hollowing the near- and long-term readiness of the Marine Corps. To keep marines in the field, we are already being forced to reduce depot maintenance of equipment, reduce participation in training exercises, reduce equipment buys and curtail modernization programs. Within 6 months of sequestration implementation, there will be increased degradation to home station unit readiness. These units are the "bench" that the Marine Corps pulls from for contingency response and execution of combatant commanders' operational plans. Beyond 12 months, there will be adverse readiness impacts to all home station units, to include next-to-deploy and some deployed units. Additional, detailed near-term impacts are cited in my written statement. The Marine Corps' readiness is already at a tipping point, because the ability to rebalance funding from long-term investments to short-term readiness is becoming unsustainable.

While the primary effects on short-term readiness are already observable, the longer-term effects may be even more damaging and not readily reversible. The realignment of funds to adjust to the continuing resolution has already begun to degrade activities necessary for the long-term readiness of the force, such as the maintenance of equipment returning to theater. The Marine Corps manages its long-term health and readiness by balancing monies across its five readiness pillars of high

quality people, unit readiness, capability and capacity to meet combatant commander requirements, infrastructure sustainment, and equipment modernization. Sequestration will unbalance the Corps' institutional readiness by forcing investments in manpower and near-term unit readiness at the expense of infrastructure, sustainment, reset, and modernization.

General WELSH. In the context of what the Nation asks us to accomplish in support of the defense strategy, we are currently on the brink of becoming a hollow force. A hollow force is a condition that exists when a force is not able to perform its assigned missions with an acceptable level of risk due to readiness and sustainment deficiencies. A hollow force may look good on paper but has more units and equipment than it can support, lacks the resources to adequately man, train and maintain them.

General GRASS. If sequestration is fully implemented, our analysis shows signs of a hollow force toward the end of fiscal year 2014. Sharp declines in training and maintenance budgets result in a rapid degradation in personnel and equipment readiness, especially combat missions.

88. Senator INHOFE. General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, even before sequestration, what percentage of your non-deployed major combat units are trained and ready today for their full spectrum of assigned missions?

General DEMPSEY. I will defer to the Service Chiefs for their answers on percentages of nondeployed forces assignable to full spectrum missions.

General ODIERNO. The exact amounts and percentages will be provided in classified correspondence. Currently, a low percentage of nondeployed major combat units are trained and ready. Our priority will be to ensure that all soldiers in Afghanistan and those next to deploy are prepared and ready. We will ensure that the Forces in Korea are properly equipped and ready. We will continue to fund all programs related to Wounded Warrior care. Then we will determine if we have sufficient funds to continue training the Division-Ready Brigade at Fort Bragg—the Army's Global Response Force. These priority efforts will consume 43 percent of our OMA but are applied to only 22 percent of the force. Therefore, the remaining 80 percent of the force will have to absorb the $18 billion in shortfalls out of the remaining 57 percent of the OMA budget. What that means is that the 80 percent of the force—more than three-quarters of the Army not in Afghanistan or Korea or deploying this year—will significantly curtail training today. Even with training and sustainment spending curtailed, we expect our accounts to be exhausted by July.

Admiral FERGUSON. The readiness of nondeployed Navy units is a function of where they are in execution of our force generation process, the Fleet Response Plan (FRP). At present, our next to deploy units are progressing towards the required level of readiness—and provide the surge capacity the Navy is required to sustain. Units in the maintenance or basic training phase of the FRP are not expected to be ready. However, CR and sequestration will inevitably take a toll on our ability to have forces that are forward be ready and still prepare next-to-deploy forces to take their place. As we extend existing deployments and cancel maintenance and training time for our non-deployed force, their readiness will degrade even further. There is a limit to how quickly this fall can be arrested and the unit be made ready to deploy. Navy will provide specific percentages and readiness ratings in classified correspondence if requested.

General AMOS. The abilities of the Marine Corps to operate across the full spectrum of warfare, especially at the Marine Expeditionary Force (MEF) level and major subordinate command level, have degraded due to a necessary focus on counterinsurgency and irregular warfare mission requirements for Operation Enduring Freedom. Training limitations in core mission capabilities such as MEF-level combined arms, anti-air warfare, amphibious operations, and prepositioning operations have accordingly degraded the Marine Corps' ability to respond to other operational plans, contingencies, and activities. Moreover, high readiness of the deployed force comes at the expense of our nondeployed forces. Equipment and personnel have been sourced globally from non-deployed forces to support deploying units, which had the causal effect of reducing the readiness of nondeployed units. More than half of the Marine Corps' combat units report limitations in achieving readiness levels required for deployment.

General WELSH. Due to the Air Force's speed, range, and flexibility, we include all units—deployed and garrison—when determining readiness levels. Further, the defense strategy and current force structure does not allow us to maintain a tiered readiness posture. Currently, just under 50 percent of our Air Force fighting level units are below an acceptable combat readiness level.

General GRASS. Today's National Guard is the most ready it has been in its 376-year history. Our readiness levels for both Army and Air National Guard units are very close to the active Duty components. Specific unit readiness information is classified at the Secret level.

89. Senator INHOFE. General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, if sequestration were allowed to occur, how quickly would your force start to go hollow?

General DEMPSEY. The combination of sequestration and the continuing resolution will produce measurable declines in unit-level readiness within 1–3 months. Within 3–6 months declines in unit level readiness will result in significant cancellations to major exercises and planned deployments. Sequestration will force a rapid drop in readiness levels, while recovery will take several times longer. Due to training cycles, deferred maintenance, and the pace of current operations, recovery from several months of sequestration will take years. These near-term impacts drive long-term uncertainty in our capability and capacity to effectively execute our current strategy.

General ODIERNO. Immediately. The Army, without both adequate funding and the flexibility to manage the funds we do have available, would be forced to make resourcing decisions that would only accelerate and compound inequalities and risk in the force to other OPLANS in the future. Some examples:

1. Available personnel would be shifted from nondeployed to deploying forces in order to meet operational demands. This would exacerbate personnel shortfalls geometrically each month and place at higher risk combatant commander operational plans.
2. Equipment would be migrated from nondeployed to deploying forces in order to fill shortages due to incomplete reset and redistribution, or shortages arising from the lack of equipment retrograded from theater. Again, this would jeopardize combatant commander operational plans in an ever increasing manner each succeeding month.
3. Shortage of repair parts would drive cannibalization and reduced training events will significantly impact our ability to build readiness. This would have a compounding effect on the capability of our equipment and the effectiveness of Army units.
4. Soldier training. Perhaps no other example is as important. We would not be able to fully train our soldiers, neither through individual professional military education nor collective unit training, that would meet the demands to successfully operate in a joint, interagency environment across the range of military operations (from stability operations to decisive action). After the current fiscal year, the deficit in forces trained in Decisive Action would further compound our inability to meet higher end OPLANS.

The force would grow in "hollowness" each month that the Army was forced to re-distribute resources, funding, and training, most importantly soldiers from nondeployed forces to support current operations without the necessary resources to prepare for contingency operations.

Admiral FERGUSON. The term "hollow" force is a descriptive term that is not a function of time, so I cannot say how quickly our force would start to go hollow. "Hollow" describes a path that leads to a force not ready where it matters, when it matters. It involves training, maintenance and people, with people being the key symptom. While the immediate readiness impacts of actions we have taken to date are limited, there are many long term implications for the material readiness of the force, the expected service life of our platforms, the health of our industrial base and our people should we continue to operate without the resources we need. The longer we continue down the path we take now, the maintenance, training, and time required to return to full readiness with a stabilized funding level will become even more protracted.

General AMOS. Sequestration would produce irreversible impacts to readiness. We already are seeing indicators of a hollowing of the force; over half of our Marine Corps units are at unacceptable readiness levels to meet core mission requirements. Although we are able to mitigate immediate challenges to readiness in the near term, there will be a steadily increasing degradation to readiness as sequestration unfolds. To keep our marines in the field, we are being forced already to reduce depot maintenance of our equipment, reduce our participation in training exercises, reduce necessary equipment buys, and curtail force modernization programs. Furthermore, over the next 6 to 12 months, we will see a continued decrement to readiness accounts with an ever-increasing erosion of home station unit readiness and force modernization. This will manifest itself in small impacts in next-to-deploy

forces readiness. Beyond 12 months, we will see a real impact to all home station units (e.g. fixed wing squadrons will have on average only four of twelve assigned aircraft on the ramp due to aviation depot shutdowns) and the beginning of impacts to our next-to-deploy and some deployed forces. Ultimately, this will result in a compounding and escalating slide to a hollow force, some of which will be irreversible.

General WELSH. We will protect flying operations in Afghanistan and other contingency areas, nuclear deterrence and initial flight training; however, roughly two-thirds of our active duty combat Air Force units will curtail home station training beginning in March and will drop below acceptable readiness levels by mid-May. Most, if not all, will be completely non-mission capable by July.

General GRASS. If sequestration is fully implemented, our analysis shows signs of a hollow force toward the end of fiscal year 2014. Sharp declines in training and maintenance budgets result in a rapid degradation in personnel and equipment readiness, especially combat missions and our ability to respond to missions here in the Homeland.

90. Senator INHOFE. General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, will you please provide your assessment promptly to this committee when you have determined an unacceptable risk to the readiness of your forces?

General DEMPSEY. Yes.

General ODIERNO. If sequestration reductions begin in fiscal year 2013, I believe we are in the short term accepting unacceptable risk to our force based on the uncertainty of the current world environment. I will continue to provide my assessment of unacceptable risk to the readiness of the force whenever I believe it is necessary. The determination of risk requires collaboration with combatant commanders and other Services with whom the Army interoperates and supports. Additionally the full impacts of the current budget uncertainty on the Army is dependent on resource allocation decisions that are in the process of being made.

Admiral FERGUSON. Yes.

General AMOS. If ever I determine there is an unacceptable risk to the readiness of my marines or their ability to accomplish the mission, I will promptly take action to include providing that assessment to this committee. As I have testified this week, I am very concerned that an annualized Continuing Resolution (CR) and subsequent sequestration reductions could create unacceptable risk in the readiness of the Marine Corps.

General WELSH. Yes, the Air Force will promptly notify the Senate Armed Services Committee if we determine we have reached unacceptable risk to the readiness of our forces.

General GRASS. Yes.

NATIONAL SECURITY IMPACT

91. Senator INHOFE. General Dempsey, the January 2012 Defense Strategic Guidance (DSG) was written in response to the administration's decision to slash $487 billion from defense spending over the next 10 years. It calls for low-cost, small-footprint approaches to achieve our security objectives in Africa. As I said in my opening statement, the Benghazi tragedy is a vivid illustration of the increased risks we assume under a strategy that relies on reduced resources available only on a rotational basis in volatile parts of the world. Do we currently have adequate resources to carry out the 2012 DSG? For example: do we currently have enough assets for sea and air lift in the Pacific theater to carry out a rebalancing?

General DEMPSEY. The rebalance to the Asia-Pacific is a key tenet of the DSG and calls for a renewed emphasis on the Asia-Pacific region, outlining a deeper and more enduring role for the United States in advancing the security and prosperity of the region. Currently there are adequate assets for sea and airlift for the rebalance to the Asia-Pacific, assuming no further reductions. The rebalance obviously involves more than merely bringing more forces to the region—it will influence, over time, the DOD's investments in force structure, capabilities, posture, operational concepts operational concepts, and engagement in the region.

The magnitude of proposed defense cuts over 10 years on top of the $487 billion in cuts over that period made under the 2011 Budget Control Act (along with efficiencies previously implemented) will make the current defense strategy unfeasible and will severely limit our ability to implement the January 2012 Defense Strategic Guidance (DSG). If the current budget trend is not corrected over the longer term, the military will have to revise its entire defense strategy within the decade. We

would not be able to rapidly respond to major crises in the world or be globally positioned to deter our adversaries.

One notable feature of the rebalance is that our emphasis on more engagement, more attention, and more quality relies substantially on rotational forces. Rotational presence is finite in time and purpose, enabling them to be attentive and impactful without a large footprint. This approach is sensitive to the needs and limitations of the region, and also enables us to avoid foregoing our commitments and leadership role in the rest of the world. Although implementing the rebalance with increasing budget pressures is not without challenges or difficult decisions, DOD is dedicating significant attention to increasing Joint integration, beyond that enabled by Goldwater-Nichols, as a means to deny others the ability to deny our access to the commons. These new operational concepts necessarily require strong partnerships in the region. Continually engaging with our regional allies and partners reassures them of U.S. commitment as well as our effectiveness as the security partner of choice.

92. Senator INHOFE. General Dempsey, how would you characterize the potential risk of another Benghazi if we double defense spending cuts?

General DEMPSEY. The security environment is increasingly complex and dangerous. If defense spending cuts were doubled, we could incur greater risk of a crisis of a similar nature. Preventing this type of crisis is not only about our ability to rapidly respond, it is about our capacity to shape the security environment through our allies and partners, presence and work with the interagency.

93. Senator INHOFE. General Dempsey, in your opinion, what changes in the new DSG would DOD implement if the cuts under sequestration are sustained over 10 years?

General DEMPSEY. Understanding that we would require a new defense strategy under sequestration, we would work closely with the Secretary of Defense to develop a strategy that best secures our national interests using the resources available.

94. Senator INHOFE. General Odierno, Admiral Ferguson, General Amos, and General Welsh, if sequestration is allowed to occur, what do you foresee as changes to our National Military Strategy (NMS)?

General ODIERNO. We will have to conduct a thorough review of our Defense Strategy with the Joint Chiefs and the Office of the Secretary of Defense (OSD) leadership. It is my opinion that we will no longer be able to execute the current strategy as rolled out in early 2012.

Admiral FERGUSON. Our current NMS relies upon forward-stationed and rotationally-deployed forces to assure allies, deter aggression, and, if necessary, defeat adversaries in conflict. As we say in the Navy, "Trust cannot be surged." While it is premature to speculate on the details of a new strategy built on the premises of sequestration, the accompanying Joint Force will be smaller, less capable, and less ready to address threats and sustain presence in an increasingly dangerous and volatile world.

General AMOS. Sequestration is a fiscal choice that will incur a strategic risk. The Deputy Secretary of Defense stated that if sequestration is allowed, DOD must then consider changes or adjustments to the current Defense Strategic Guidance. The NMS will also require review in light of this new fiscal reality. If sequestration is allowed, it will require the Marine Corps to adjust and reassess the way in which we employ our military capabilities and capacities to defend the Nation. Fiscal decisions will invariable create strategic consequences with implications for our national security interests.

General WELSH. The February 8, 2011, NMS envisioned a Joint Force that provides military capability to defend our Nation and allies, and to advance broader peace, security, and prosperity by achieving the following National Military Objectives: Counter Violent Extremism, Deter and Defeat Aggression, Strengthen International and Regional Security, and Shape the Future Force. If sequestration occurs, we would need to prioritize within and among the National Military Objectives. In the end, as Secretary Panetta has repeatedly stated, sequestration, both the size and the arbitrary manner of these cuts, would be devastating to the Department. It would harm Air Force readiness and disrupt every investment program, limiting our ability to shape the force, deter and defeat aggression, and counter violent extremism. Sequestration would force constraints on our training activities, to include cuts to flying hours that would reduce readiness and increase risk. It would allow fewer day-to-day global activities, reducing our presence and partnerships and undermining longstanding efforts to strengthen international and regional security. After the stress of more than a decade of continuous combat, sequestration will

harm the morale and welfare of the force, create recruiting and retention problems, and it will wreak havoc on the civilian workforce in the coming months, a particular concern given the priority placed on our people and their families in the NMS. Not limited to operations, sequestration will mortgage the Air Force's future health for years to come by hobbling force structure modernization efforts. Overall, sequestration disrupts the force in the near term and promises devastating impacts over the longer-term; it seriously jeopardizes our ability to field the Joint Force envisioned in the NMS and its ability to achieve the National Military Objectives.

IMPACT OF SEQUESTRATION ON THE ARMY

95. Senator INHOFE. General Odierno, the Army is starting out fiscal year 2013 with a shortfall of $6.0 billion in its O&M account because of the CR. Assuming that we do nothing to address sequestration or the CR, in your military judgment, won't the Army become hollow by the end of fiscal year 2013 or as we enter into fiscal year 2014?

General ODIERNO. The combined effects of sequestration, continuing resolution, and OCO shortfalls have created a perfect storm of pressures on the readiness of Army units. Due to their combined effects, the Army will be severely challenged to provide ready units beyond our next deployers to OEF, those stationed forward in Korea, and possibly the Division Ready Brigade. This will create a large part of the force that will have degraded readiness, which will continue in fiscal year 2014 and fiscal year 2015.

96. Senator INHOFE. General Odierno, what will be the impact on the Army's ability to meet the demands of the NMS?

General ODIERNO. Ten years of budget caps from sequestration will produce a fundamentally different Joint Force. Reductions of this magnitude would first prompt a review of the national security strategy, military strategy and the roles and mission of all of the Services. Following this comprehensive review, the Army would then plan, program and implement the forces, capabilities and capacities that the new strategy requires. What the Army may look like after this is based on too many factors to allow a more detailed description. This future Army would likely be significantly smaller, with a reduced capability to respond decisively to the range and scope of threats the Nation is likely to face over the next decade. This smaller Army would be concentrated on fewer installations across the country with few forces, if any, stationed overseas. It will impact our ability to shape the geographic combatant commanders' areas of operation in order to prevent conflict. It could put at risk our ability to deter conflict and increase the likelihood of miscalculation from our adversaries or other opportunists who believe we no longer have sufficient capacity or capability to respond.

97. Senator INHOFE. General Odierno, please describe the impact of having potentially only $2.0 billion in the O&M account to fund the remainder of fiscal year 2013.

General ODIERNO. The Army will likely have only $2 billion in our O&M account to fund the remainder of fiscal year 2013 because of a "Perfect Storm" of fiscal measures: a shortfall of $6 billion in the Continuing Resolution's O&M funding, which cannot be compensated by reprogramming from other accounts; $5–7 billion in emerging shortfalls in OCO funding due to unanticipated costs in Afghanistan; and $5.3 billion in sequestration. We prioritize costs needed for Afghanistan and Korea, and will try to fund readiness for the Global Response Force. However, this will effectively exhaust our operations accounts and we will be forced to take severe actions. The actions we will be forced to take include, but are not limited to:

- We will curtail training for 80 percent of our force, and have already canceled all but one BCT Combat Training Center rotations for the remainder of fiscal year 2013.
- We are terminating an estimated 3,100 temporary and term employees and have directed an immediate Army-wide hiring freeze. These employees typically fill gaps in our installation services such as Army substance abuse programs, law enforcement, physical security, public works, and installation education programs.
- We have initiated planning to furlough up to 251,000 civilians for 1 day a week for 22 weeks, in full recognition of the risks of decreased productivity, morale, and the loss of 20 percent of their pay while furloughed. In addition to the hardship this poses to our dedicated workforce, this furlough will have an immediate trickle-down effect as the majority of these civilians

are located throughout the United States on our posts and stations, and their spending directly impacts local economies and contributes towards State and local taxes. Any furlough would have an immediate impact on fire and emergency services, law enforcement, airfield operations, and all of our Army family programs.

• We are reducing institutional training across the Army. This will result in a backlog across our education and individual training courses well into fiscal year 2014 and shortfalls in critical specialties.

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

• We will cut 37,000 flying hours from our aviation training at Fort Rucker, which will create a shortfall of over 500 aviators by the end of fiscal year 2013 and will create a backlog at flight school that will take over 2 years to reduce. We are curtailing 16 military intelligence training courses, resulting in over 4,000 fewer soldiers with the intelligence skills the Army requires. At Fort Sill, we will have to cancel 15 Field Artillery Advanced Individual Training courses. Soldier training for recruiting duties will be curtailed in March resulting in over 900 untrained recruiters.

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

• We are cancelling attendance at some of our mid-career officer and noncommissioned officer training programs across the Total Army including the Captains Career Common Core Course, Intermediate Level Education, and NCOES common core. This will add to the already tremendous backlog of midgrade officer and NCO education that has built up during the almost 12 years of war.

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

• We are in the process of reducing our base sustainment funds by $2 billion in fiscal year 2013, a 70-percent drop from what has been historically required to run our installations. This means even bare minimum maintenance cannot be sustained. In the event of water main breaks, clogged sewage, water damage, or power failure, there will not be adequate funding to repair these facilities, which would likely result in closure and personnel relocation. This also translates into an estimated 100,000 facility work orders per month that will not be executed, which places the Army on an accelerated slippery slope where our buildings will fail faster than we can fix them.

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

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

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

• Our National Guard and Reserve will experience cuts of 22 percent and 50 percent respectively in their medical readiness accounts. For example, we have cancelled pre-mobilization medical support for nearly 200,000 Army National Guard and U.S. Army Reserve soldiers, which will degrade Reserve unit readiness and increase post-mobilization training costs.

• We will curtail Operational Test and Evaluation operations affecting program of record development and fielding schedules which will add costly delays to critical acquisition programs and the fielding of equipment to soldiers. Particularly in the areas of networking capability and precision munitions, we will experience delays in key network programs such as the Warfighter Information Network-Tactical and the Joint Battle Command-Platform.

• We are reducing our Science and Technology (S&T) programs by approximately $300 million. We anticipate making reductions to our Federal civilian employees and support contractors, and reducing programs with our academic and industry partners across all 50 States and the District of Columbia. The Assistant Secretary of the Army (Acquisition, Logistics, and Technology) provided an assessment to the Assistant Secretary of Defense (Research and Engineering) on 1 February 2013 detailing the impact to DOD research priorities.

98. Senator INHOFE. General Odierno, how long will it take and how much more will it cost for the Army to recover from the impact of sequestration and the CR if the administration and Congress do nothing?

General ODIERNO. If the continuing resolution and sequestration persist, the Army as it exists today will not recover—it will be forced to transform and adapt to a new normal. It is unavoidable that 10 years of budget caps from sequestration will necessitate a fundamentally different Army. Reductions of this magnitude would first prompt a strategic review and likely result in an Army with revised roles, missions, capabilities and capacities. What the Army may look like after this is based on too many factors to allow a more detailed description. In a broad sense, this future Army would likely be significantly smaller, less capable to respond decisively to the range and scope of threats the Nation is likely to face over the next decade and concentrated on fewer installations across the country with almost no forward stationed forces. Only through a fundamental transformation would the Army be able to recover and regain balance across our manpower, investment and readiness accounts.

99. Senator INHOFE. General Odierno, I understand that the Army will cancel several National Training Center (NTC) and Joint Readiness Training Center (JRTC) rotations this year regardless of whether we solve sequestration and the CR. Will the Army be able to reschedule these rotations in fiscal year 2014?

General ODIERNO. Unfortunately, no. The Army will conduct rotations at the NTC and JRTC as funds are available, but we will have missed the window for improving readiness for those units as they flow through the Army Force Generation (ARFORGEN) cycle into the Available Phase. Our capacity is limited and even with additional funding in fiscal year 2014, we cannot significantly increase capacity and will have lost this critical training opportunity for those units with canceled rotations until they again rotate through the ARFORGEN cycle in 2 years.

100. Senator INHOFE. General Odierno, what will be the impact on readiness?

General ODIERNO. There will be a significant impact on readiness. The readiness of Army units is tied to our force generation model which allows Army units to build readiness in order to meet mission requirements at predictable periods in time. Combat Training Center rotations ensure Army units receive specific training tailored to the operational requirements the unit will execute on deployment. Readiness of those units executing operations in support of combatant command requirements must remain at the highest level.

101. Senator INHOFE. General Odierno, are there other areas of readiness from which we will not be able to recover because of the CR?

General ODIERNO. It becomes very difficult to recover when you have a combination of lost time and resources. It will take us additional time to recover the level

of readiness we believe is necessary. The amount of time to recover will be based on if full sequestration goes into effect. If it does, I believe it will take 5–10 years to fully recover our readiness to the level we and the American people expect it to be at.

However, we don't know what will be the impact on our soldiers and families and their trust in our institution. It will be our challenge as leaders to ensure we keep our best and reassure them that the institution will be there for them in repayment for their incredible sacrifice over the past 12 years.

102. Senator INHOFE. General Odierno, the President used his authority to exempt the military pay accounts from sequestration. While I fully understand why one would want to preserve personnel accounts, doing so certainly exacerbates the budget difficulties under sequestration and the CR. What can we do to avert creating a hollow force similar to the one we had after taking the 1990s peace dividend?

General ODIERNO. First, in fiscal year 2013 it would have cost us more money than we would have saved if we had to take military reductions in fiscal year 2013, because of the amount of separation and other pays that would have to be used. Additionally it would not have been possible to reduce the number required by sequestration in a 7 month period. As the Army draws down the operating force, we must be allowed to manage the slope and path towards the current goal of 490,000 Active Duty soldiers in order to maintain balance between end strength, modernization and readiness within the budgetary guidelines given. Arbitrarily accelerating the reduction may have impacts that will not be recoverable should a future emergency occur. If we must further reduce the size of our force we must be allowed to manage it carefully in order to take care of our soldiers and families, meet our contingency requirements, and balance readiness and modernization. Any reduction below 490,000 Active Duty soldiers can only be made with the Nation and its leaders fully aware of the risks—to include tradeoffs in modernization and readiness—and how those risks may directly affect our ability to win our Nation's wars.

103. Senator INHOFE. General Odierno, are the Army's end strength reductions being driven by the NMS or by budget constraints?

General ODIERNO. As part of the DOD Strategic Guidance released last year, the Army developed a plan to downsize approximately 80,000 soldiers to 490,000 soldiers in the Active component by the end of fiscal year 2017. Based on the drawdown of major commitments in Iraq, the ongoing drawdown in Afghanistan, and the anticipated range of potential future missions envisioned in the new defense strategy, the Army concluded after extensive analysis that the demands described in the new defense strategy could be met with an Active component end strength of 490,000 soldiers. If sequestration occurs, future end strength reductions will be driven by budget constraints.

104. Senator INHOFE. General Odierno, would the Army be able to execute to the NMS if the current planned end strength reductions are accelerated?

General ODIERNO. The Army's ability to support the NMS will be greatly hindered if we reduce force structure at a faster pace than currently planned. We will not be able to take care of our soldiers and families and meet current contingency operations, while simultaneously sustaining appropriate readiness levels.

105. Senator INHOFE. General Odierno, according to a February 7 Congressional Research Service memorandum on the potential effects of sequestration, the funding shortfall for Army aircraft, already almost $500 million below the fiscal year 2013 request because of the CR, would be exacerbated by the sequester, creating a combined shortfall from the fiscal year 2013 request of over $900 million. What would be the impact of extending the CR to a full year on Army aviation systems?

General ODIERNO. The combined impacts of the sequester and a full-year Continuing Resolution (CR) would significantly weaken Army Aviation and would take years to overcome, especially if the CR is enacted without a substantial number of anomalies that would be necessary to sustain some critical Aviation programs. Some illustrative examples of the adverse impacts on critical aviation systems are the Chinook, Apache, Kiowa Warrior and Common Infrared Counter Measure (CIRCM) programs.

In the event of sequester and a CR without an anomaly the Army could not award the second multi-year contract for the CH–47F Chinook. That would result in the loss of $810 million in negotiated multi-year savings over 5 years. It would require the program to revert to single years contracts and in the near term, it would necessitate employment of an inefficient contracting strategy to preclude a near term pro-

duction break. In the end, it will cost the Army an additional $1.7 billion through fiscal year 2020 to procure the planned acquisition objective and would delay fieldings to aviation units, including those in the National Guard and Reserves.

The AH–64 Apache could be forced to reduce planned fiscal year 2013 production from 48 aircraft to as few as 9 aircraft. This would result in a delay in system fielding, deferring a critical combat capability. This reduction would exacerbate the existing problem of an aging Apache fleet, which are averaging 20 years and nearing the expected life of the airframe. The production reduction would yield a substantial increase in unit cost, a production line break and workforce reductions.

The Kiowa Warrior program would be unable to produce at least 10 of the planned 16 war replacement aircraft. The actual quantity could ultimately fall below six aircraft, as the funding available under sequester and a year-long CR is insufficient to execute the existing contract. This would require the Program Manager to renegotiate the contract resulting in higher unit costs, fewer aircraft and delays in the production. The Kiowa Warrior currently has the highest flying hour rate of all the Army aircraft deployed to the theater of operations.

CIRCM is in the technical development phase to deliver a required light weight, laser-based countermeasure protection against modern Manportable Air Defense Systems. Without approval of the requested anomaly a work stoppage would result. Program restart is estimated to cost an additional $39.9 million and delay the fielding of this critical capability beyond the projected fiscal year 2019 fielding date.

Most Army Aviation programs would be adversely impacted by the sequester and a full-year CR.

106. Senator INHOFE. General Odierno, would this have an impact on deploying and next-to-deploy units?

General ODIERNO. Yes, the combined effects of a nearly $900 million shortfall on Army aviation systems to include crew proficiency would be detrimental for deployed, deploying, and non-deployed forces. We would have a 500 pilot shortfall in 2013 alone due to lack of training dollars and this will increase over time, and impact long term Aviation readiness.

107. Senator INHOFE. General Odierno, could the shortfall be mitigated if you are given more flexibility to move funding with an appropriation?

General ODIERNO. Yes, the complexity of the cumulative effects of the sequester and the fiscal year 2013 budget request as compared to the full year CR requires a comprehensive solution. Army is requesting authority to move funding within and across Appropriations. This includes authority to move funding between Budget Activities, Subactivity Groups, Program Elements, Projects, Programs, Accounts, Standard Study Numbers (SSN) and Budget Line Item Numbers for all Army Defense and Military Construction Appropriations. The Army will conduct a thorough review to identify where the Army needs to take action to mitigate the effects. This synchronization and assessment will expose redline items that will form our prioritized candidates for reprogramming. Despite the mitigation that such measures would provide, the cumulative effect of the CR, a shortfall in overseas contingency funding, and the sequester will still have severe consequences. Moreover, I must stress that fiscal flexibility in particular, correcting the misallocation of funds under the CR, while essential, is not sufficient to avert the problems we face. Even if we get relief from fiscal year 2013 budget restrictions, sequestration in fiscal year 2014 will pose a significant risk to readiness and will force us to reconsider the Army's ability to execute the Defense Strategic Guidance.

IMPACT OF SEQUESTRATION ON THE NAVY

108. Senator INHOFE. Admiral Ferguson, Navy has been proactive on actions to address sequestration and the CR with the announcement to hold back the deployment of the Truman CSG and delay the refueling of the USS *Lincoln* Aircraft Carrier in Virginia. In addition, the CNO recently announced that beginning February 15, the Navy shall notify contractors and cancel all private-sector fiscal year 2013 third and fourth quarter surface ship maintenance availabilities as well as aircraft depot maintenance. How do you assess the current readiness of the nondeployed fleet to meet the requirements of full spectrum operations?

Admiral FERGUSON. Currently one third of nondeployed units are trained and ready to execute the full range of military operations, while the remaining units are in training or maintenance status. Under CR/sequestration, the Navy will stop training and certification except for the units next to deploy.

109. Senator INHOFE. Admiral Ferguson, what will happen to the readiness of your combat aviation assets?

Admiral FERGUSON. If sequestration is executed, Navy and Marine Corps aviation readiness will begin to degrade for nondeployed squadrons as we curtail the flying hours of four carrier air wings. While Navy will focus its available resources to support deployed aviation readiness, if sequestration endures, it will increasingly impact deployed units as the Navy and Marine Corps reduces flying hours across the entire force. Aircraft and engine depot repairs will be curtailed, resulting in a steady decline in available aircraft and engines. Naval aviation will not have the resources to train our rotational forces for fiscal year 2014 deployments and may not be able to fully honor existing global commitments to deploy forces in several theaters.

110. Senator INHOFE. Admiral Ferguson, can you describe how long-term delays in the refueling complex overhaul of the USS *Lincoln* will have bow wave effects on the timing of follow on carrier maintenance and may impact future carrier readiness?

Admiral FERGUSON. Delaying the start of the RCOH will delay *Lincoln*'s return to the fleet in 2016 on a day-for-day basis. Due to limited shipyard maintenance capacity, long term delays in the RCOH will have second and third order effects upon other subsequent carrier work. Delays in the CVN 65 defueling and CVN 73 RCOH are thus likely, which negatively impact readiness of the entire carrier fleet. The cost of the delays of the RCOH are likely to increase as the cost of perturbations in the shipyard's workforce, cancelled contracts with subvendors, and disruptions in the materiel supply chain are passed to the Navy.

The delays in CVN 73 RCOH and CVN 65 defueling will stress other CVNs for extended or additional deployments, while adding to the CVN maintenance backlog.

111. Senator INHOFE. Admiral Ferguson, if sequestration occurs, the Navy will be compelled to reduce the number of ships and aircraft deployed, reduce days at sea and flying hours across the entire force, stop all deployments to the Caribbean and South America, limit European deployments to only those supporting ballistic missile defense missions, and cease State-side training, flying, steaming, and other operations for the majority of ships and aircraft preparing to deploy. How will all these actions impact the risk of meeting the requirements of the combatant commanders around the world?

Admiral FERGUSON. The Navy will be unable to execute all of the naval force requirements of the combatant commanders under sequestration and a year-long continuing resolution.

112. Senator INHOFE. Admiral Ferguson, how will these actions affect the morale and training of the fleet?

Admiral FERGUSON. Our sailors, civilians, and their families are experiencing increased anxiety as a result of this fiscal uncertainty. This will have a corrosive effect on the morale of our people over time and could affect the decisions of our sailors and civilians to continue their service in the Navy.

For most sailors and their families, the immediate effect of sequestration and a year-long continuing resolution is the uncertainty in the deployment schedules of our ships and aircraft. Delayed, extended, or canceled deployments disrupt the lives of Navy families.

The reduction of ready forces will also put greater stress on deployed or soon-to-deploy sailors assigned to ships and squadrons as they operate at a higher tempo. While military compensation is exempt from sequestration, there is a cost to the force in having them maintain our ships and aircraft and train for future deployments with fewer resources, spare parts, and less depot maintenance.

Additionally, a year-long CR and sequestration will compel us to cancel most nondeployed operations, such as training and certifications, which will erode the readiness of the force.

Operating under a year-long CR and sequestration will impact training pipeline sources, from recruit training to basic and advanced skills training, as well as the U.S. Naval Academy, Naval War College and Naval Postgraduate School. This reduces opportunities for our sailors to achieve personal and professional development. The immediate impact will be a decrease in student throughput and a growing backlog of those awaiting training, delaying their arrival in the fleet and negatively impacting at-sea manning and operational readiness.

113. Senator INHOFE. Admiral Ferguson, you mentioned in your written testimony that programs such as the F–35 Lightning II, the next generation ballistic missile submarine and Littoral Combat Ship might be reduced or terminated. Can you pro-

vide more details on what you anticipate as the impact of an annualized sequestration on your major acquisition priorities, specifically what general numbers of reductions and what program terminations?

Admiral FERGUSON. Each of these programs brings vastly different capabilities to the Fleet. Each is a piece of the overall Defense and Naval Strategies and provides different aspects to the capability of the Force. If annualized sequestration occurs, the overarching Defense and Naval strategies and force structure would need to be reviewed. Additionally, the impacts of fiscal year 2013 funding decisions, i.e. sequestration and/or an annualized CR, will play a large part in determining fiscal year 2014 and out-year acquisition decisions. Funding priorities would align to those updated strategies.

The Department is studying the impacts that sequestration would have on the F–35 Lightning II, the next generation ballistic missile submarine, Littoral Combat Ship, and other programs. The DoN goal would be to preserve these programs to the greatest extent possible, emphasizing capabilities to maintain near-term initial operational capabilities; and to balance within these programs the necessary fleet capability. At this point in time identifying numbers of reductions and terminations would be premature until fiscal impacts and constraints are solidified. The Navy has identified potential sequestration and annualized CR impacts to the operational and investment accounts for fiscal year 2013. That being said, if further reductions in the investment accounts are required to fund operations, there could be significant impacts to F–35 Lightning II, next generation ballistic submarine, LCS, and other programs.

IMPACT OF SEQUESTRATION ON THE MARINE CORPS

114. Senator INHOFE. General Amos, how would you express, in terms of risk, the effects of sequestration over 10 years on the capabilities of the Marine Corps?

General AMOS. The Marine Corps' ability to respond to and contribute to the achievement of our national security interests will be the greatest risk imposed by sequestration. The Marine Corps is currently capable of meeting ongoing operational commitments, but is challenged to man, equip, train, and sustain the force to meet strategic objectives. The effects of 10 years of sequestration, in addition to 11 years of combat operations in Iraq and Afghanistan, could jeopardize the institutional health of the Marine Corps. Over the long-term, without adequate funding, the readiness and institutional health of the Corps will suffer, eventually leading to a hollow force. Although the capabilities of the Marine Corps will remain relatively constant over these 10 years, it will be the capacity of the Marine Corps to provide capable and ready Marine forces to influence the accomplishment of our vital national security interests that will be challenged. Additionally, the Marine Corps' reliance on the U.S. Navy to support operationally available amphibious warships and aviation related maintenance and support, further degrades our ability to project, support, and sustain forces abroad.

115. Senator INHOFE. General Amos, you have warned of a hollow force. What does that specifically mean for the Marine Corps?

General AMOS. Readiness is the aggregate result of balanced investment in the pillars of high quality people, well-trained units, functional facilities and modernized equipment. Together, these ensure that units are prepared to perform assigned missions at any given time. A 'hollow force' is one that is not ready in one or more of these pillars.

By the will of Congress, the Marine Corps is mandated to be the Nation's expeditionary force in readiness. Deployed forces and units in training alike are poised to swiftly respond to crisis and disaster, giving immediate options for strategic decision-makers, while buying time for the generation of the larger joint force. Even when not deployed, Marine units are required to maintain higher levels of readiness, so they can deploy on short notice. Tiered readiness, is a concept whereby resources from non-deployed units are paid-forward to ensure that deployed and next-to-deploy units have sufficient personnel, equipment, and training to accomplish their mission. Over time, tiered readiness leads to an unacceptable degradation in unit readiness. Tiered readiness for the joint force as a whole may be warranted, but it is not compatible with the ethos, role, or missions of nation's immediate crisis response force.

Below are specific examples of current actions made necessary in response to the combined effects of the CR and sequester. These actions will degrade the pillars of force readiness, leading the force down a path that leads to a hollowing of the force:

- Reduce through-put of depot level maintenance for organizational equipment, delaying our ability to reset war-torn equipment by 18 months or more
- Park over 80 aircraft as depot maintenance schedules are stretched out
- Reduce support to theater geographic combatant commander requirements for shaping their theaters, responding to crisis, and preventing conflict
- Reduce participation in multi-national training exercises, degrading one of the most effective investments in building partner nation capacity
- Degrade training for units in training due to lack of fuel, equipment, and spare parts
- Cut ammunition allocations for gunner certification and training
- Cut flight hours available for pilot proficiency and certification
- Reduce facility maintenance to 71 percent of the level required
- Delay Marine Corps contributions to joint special operations and cyber forces
- Furlough or reduce an already thinned civilian workforce
- Severely curtail or extend acquisition programs
- Reduce organizational activities including recruiting, range-maintenance, family-housing maintenance and quality of life enhancements for military families
- Curtail energy-efficiency, safety, and base security investments
- Cut educational investments in the human capital of our uniformed and civilian workforce

Early Marine Corps readiness is at a 'tipping point' toward a hollow force in the sense that our ability to rebalance funding from long-term investments to short-term readiness is becoming unsustainable. Given the combined trajectory of the continuing resolution and sequestration, the symptoms of a hollow force will begin to emerge between 6 and 12 months from now. By the end of calendar year 2013, less than half of our ground units will be trained to the minimum readiness level required for deployment. Only two-thirds of our aviation combat units will be at readiness levels required for overseas deployment. Beyond 12 months, our fixed-wing squadrons will have on average only 5 to 6 of 12 assigned aircraft on the ramp due to aviation depot shutdowns.

These immediate readiness reductions are accompanied by facilities that have fallen into disrepair, training ranges that are no longer adequate for the demands of modern combat, and aging equipment for which modernization has been deferred or cancelled. Our ability to attract high quality volunteers to our ranks will be reduced. Together, these symptoms are the very definition of a force that has become 'hollow'.

116. Senator INHOFE. General Amos, it is my understanding that the United States no longer maintains an amphibious ready group in the Mediterranean Sea, and this is before sequestration. How will sequestration affect the Marine Corps' ability to respond to crises in North Africa, conduct non-combatant evacuations, deploy FAST units, and maintain a rapid response capability with forward deployed forces?

General AMOS. Prior to September 11, the Navy and Marine Corps team provided a sustained Amphibious Ready Group/Marine Expeditionary Unit (ARG/MEU) presence in the Mediterranean with forces from the east coast and another in the Pacific/Indian Ocean with forces from the west coast. Over the past decade, the number of amphibious ships has dropped below the 38 required ships to the current inventory of 30. Traditional amphibious ship availability rates of approximately 70–75 percent due to ship maintenance, leaves only 22–25 ships available at any time for operations and sustainment training. The Navy's 30-year shipbuilding plan grows the amphibious force to a maximum of 34 ships, but that level is only maintained 3 years in the mid 2020s.

Over the past decade, ARG/MEUs from both coasts have deployed in an alternating rotation specifically to fill a continuous presence in the CENTCOM AOR, providing only transitory presence to U.S. European Command (EUCOM) or U.S. Africa Command (AFRICOM). Amphibious forces have responded to crises in these theaters, but at the expense of force presence in the CENTCOM AOR. Given the low numbers and operational availability of amphibious warships today, along with a potential reduction in force or curtailment in operations, the Navy-Marine Corps team will be challenged to provide a sustained presence, capable of responding to crisis in the Mediterranean without accepting risk elsewhere.

If sequestration occurs, the Department of the Navy may be forced to gap the required CENTCOM AOR presence. Response to crises in the Mediterranean might have to rely on the global response force ARG/MEU, which would take 10 days for

transit (following equipment/forces onload) if an east coast ARG/MEU responds, and 28 days for transit if a west coast ARG/MEU responds. Maritime Prepositioning Squadron-2 (MPSRON–2), located in Diego Garcia and assigned to PACOM, would take 10 days to sail to the Mediterranean Sea. The equipment prepositioned on the MPSRON is optimized for major combat operations, but is capable of supporting events across the range of military operations. However, unlike US Navy amphibious ships, MPSRON ships operate only in permissive environments and have no forcible entry capability.

In response to the Secretary of Defense's direction to the geographic combatant commands and the Services to develop crisis response options to be deployed to EUCOM or AFRICOM, the Marine Corps developed a concept for a Marine Special Purpose Marine Air Ground Task Force-Crisis Response; a self-deployable unit capable of conducting limited crisis response missions to include embassy reinforcement, limited noncombatant evacuation operations (NEO), tactical recovery of aircraft and personnel, and fixed site security. However, fiscal constraints imposed upon the Marine Corps as a result of sequestration will have a direct impact on the Service's ability to initiate this capability while maintaining the support it provides to all other global demands.

Finally, sequestration would reduce already limited crisis response capacity and capability in the Mediterranean while effecting a concomitant reduction in theater security cooperation (TSC). For instance, sequestration will affect naval independent, single-ship deployers that support Africa Partnership Station TSC, which in turn also reduces crisis response capability in AFRICOM. Sequestration would also affect Special-Purpose Marine Air-Ground Task Force Africa (SP–MAGTF)-Africa's support to the African Union Mission in Somalia and its support to African Contingency Operations and Training Assistance missions. In Europe, sequestration could affect Black Sea Rotational Force deployments to the Black Sea/Caucasus regions in Eurasia. Each of these deployments utilizes intra-theater lift to move forces to remote locations from a forward base. Sequestration will reduce the intra-theater lift provided by all the Services, thus affecting the Marine Corps' ability to respond to crises and to support combatant commander TSC priorities.

117. Senator INHOFE. General Amos, the Marine Corps has been designated by Congress as the Nation's force-in-readiness. How will the anticipated cuts affect the Marine Corps in terms of its ability to respond not only to the previously mentioned rapid response incidents, but what about its ability to respond to larger contingency operations?

General AMOS. The Marine Corps takes its mandate to be the Nation's force-in-readiness seriously and fields ready forces to meet National Military Strategy demands. It fully resources Marine units in support of Operation Enduring Freedom and other forward deployed requirements. However, the cost of fielding ready forces comes at the expense of home station units. Accordingly, the combination of sequestration and an annualized continuing resolution will further degrade both near-term readiness and the Corps' long-term capability to meet the Defense Strategic Guidance. In fiscal year 2013, this resultant degradation will begin to set conditions for a "hollow" Marine Corps.

The Marine Corps manages readiness across five broad elements or pillars: high quality people; unit readiness; capability and capacity to meet requirements; infrastructure sustainment; and equipment modernization. Maintaining balance across these pillars is critical to achieving and sustaining the Nation's expeditionary force-in-readiness for today and tomorrow. If the cuts associated with sequestration are implemented, the Corps would not be able to maintain balance across those pillars due to the nature and relative size of its budget. The Corps crisis response ability and readiness would suffer accordingly. Actions the Marine Corps is being forced to take today to ensure short-term readiness will create both near- and far-term readiness shortfalls within the next year. Any further reductions in fiscal year 2014 funding, below fiscal year 2012 and 2013 budget levels, would cause the Corps to invest in manpower and near-term unit readiness at the expense of infrastructure and sustainment.

For forces not deploying to Afghanistan, the fuel, ammunition, and other support necessary for training will be reduced, thereby affecting the Corps' ability to provide fully trained individuals and ready units to meet emerging crises. Sequestration will require tough solutions in terms of idling hundreds of aircraft as they await the funding necessary for depot-level work. Without aircraft, critical readiness training will degrade and require ever-increasing resources to reverse. Sequestration will also require discontinuing efforts to reset equipment returning from the combat theater, which would otherwise increase readiness in units critically short of essential equipment. Shortfalls in equipment will negatively affect pre-deployment and collec-

tive training, deployment timelines as unit readiness degrades, and essential forward deployed missions—including Marine expeditionary units, single ship amphibious deployments, and maritime prepositioning force exercises. Again, home station units would be the "billpayers" as limited resources will be allocated to those identified for upcoming deployments. Many are already in a degraded status after a decade of war, and these cuts would further exacerbate deficiencies in home-station unit readiness. These same units impacted by resourcing shortfalls are the foundation for responding to large-scale contingencies.

The Marine Corps is committed to building the most ready force that the Nation can afford. The current fiscal uncertainty puts the Corps at risk in realizing this commitment.

118. Senator INHOFE. General Amos, how would sequestration affect Marine Corps end strength?

General AMOS. The Marine Corps is on its way down to 182,000—as planned and agreed to. The Marine Corps has no plans to decrease its end strength below that number, even with sequestration. As of now, the President has exempted the manpower accounts from sequestration. Thus, sequestration cuts will come from O&M, which impacts training and readiness, and procurement, which impacts modernization and reset.

119. Senator INHOFE. General Amos, from your perspective, how would sequestration impact the rebalancing of Marine Corps forces in the Pacific theater?

General AMOS. We are concerned that sequestration, when applied in the midst of our planned redistribution of forces in the Pacific, will impose significant impacts to our operational readiness and responsiveness, and hinder our ability to maintain deterrence, project power, respond to crises, and contribute to stability in accordance with combatant commander requirements and timelines. Our rebalance to the Pacific faced a significant challenge with the planned downsizing of the Marine Corps to 182,100. We mitigated this by pacing the reconstitution of the III MEF Unit Deployment Program (UDP) commensurate with our force requirements in the CENTCOM AOR and by accepting the impacts of the downsizing in other commands in favor of sustaining, and in some cases increasing, our III MEF force levels under the distributed laydown. Sequestration will reduce the operational readiness of those Pacific-based forces while also incurring a proportional delay in executing the facilities and force posture restructuring necessary to achieve the distributed laydown plan. Extending the already protracted timeline for the distributed laydown increases risk for III MEF due to disruption of operational capabilities during the transition and relocation process.

Sequestration may affect USMC participation in Theater Security Cooperation (TSC) events across the Pacific, to include Phase II of the Marine Rotational Force-Darwin (MRF–D) and the III MEF UDP. MRF–D Phase II, the growth in Australia from a company to battalion sized SP–MAGTF, may be impacted by sequestration. Initial fiscal year 2013/2014 costs related to site preparation for the larger unit, and the costs associated with moving the gear set, agricultural inspections, and unit movement, as well as regional TSC strategic-lift expenses could be at risk. III MEF UDP is the Marine Corps' method to project Marine forces forward in the PACOM AOR and may be affected adversely by sequestration if funding is unavailable for deployment.

The significant impact to USMC equity in the Pacific due to sequestration is the effect on strategic mobility. Intra-theater lift is a requirement due to the distances in the PACOM AOR. USMC ability to participate in TSC events could be impacted if U.S. Navy ships are less available due to maintenance and other forms of Intra-theater lift become too expensive. While the Joint High-Speed Vessel (JHSV) is not currently available, sustained sequestration may impact USMC capacity to fund JHSV use when the asset does become available.

IMPACT OF SEQUESTRATION ON SPECIAL OPERATIONS COMMAND

120. Senator INHOFE. General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, SOCOM will be especially hard hit by the impacts of sequestration and a year-long CR. In addition to their annual budget of approximately $10.5 billion, SOCOM is heavily dependent on roughly $7 billion annually in direct support from the Services—including the provision of Service-common equipment like the Army's Blackhawk and Chinook aircraft as well as enabling support for deployed forces, such as air mobility and intelligence, surveillance, and reconnaissance (ISR). Have you conducted an assessment of how seques-

tration will impact your ability to continue providing direct support to special operations forces?

General DEMPSEY. Yes, we remain in a close dialog with SOCOM regarding the impacts of sequestration on the availability of Service-common equipment that also supports special operations forces. In the short term, I am assured that all mission critical equipment and personnel will remain available. We continue to place the highest emphasis on support to those deployed, preparing for deployment, and ensuring that essential services are in place for servicemembers upon their return from combat. However, sequestration will certainly negatively impact SOCOM as a result of Service reductions. SOCOM depends on the Services to provide support for institutional training, depot maintenance, second destination transportation and intra-theater lift. The combined effects of Service reductions in these areas will lead to a less capable SOF Warrior that is subject to increased risk in real world operations.

General ODIERNO. The Army continues to assess the impact of the year-long continuing resolution and sequestration on U.S. Army Special Operations Command (USASOC) and their ability to support SOCOM operations. It is important to note that despite the reduced budget caps, the global operational tempo of USASOC and SOCOM is not projected to decrease in the near-term. USASOC, like many Army commands, will be impacted by reduced funding for the depot repair of Army common equipment (non-aviation), common stock-funded items that support unit level maintenance and unit training. USASOC projects being able to manage the shortfall in equipment readiness in the near-term with moderate risk, but if the current budget caps persist, will face increasing levels of risk starting in fiscal year 2014. Reduced funding for USASOC training will reduce training opportunities at the JRTC and at home station. This again will impact readiness in the near-term and, as these conditions persist, create a greater cumulative effect on readiness that will take significant time and resources to recover from.

The decrement to Army Aviation fiscal year 2013 Reset/Special Technical Inspection and Repair (STIR) will stop the reset of 23 special operations aircraft. The lack of full STIR funding for fiscal year 2013 will cause these aviation assets to be deferred until fiscal year 2014. This significantly increases the risk as special operations aircraft are a low-density/high-demand fleet, continuously in the fight, and have a national mission that must be preserved. The impacts of the continuing resolution and sequestration will further impact special operations aircraft in fiscal year 2014 resulting in 27 aircraft going unfunded. Along with the 23 deferred from fiscal year 2013, this totals 50 special operations platforms that would not be reset to their pre-deployment condition. The longer these budget conditions persist the greater the risk becomes and the longer it will take to recover special operations capabilities. Commanders in the field do not have the funds or the capability to reset these aircraft.

The Army is not currently projecting any significant intelligence, surveillance, and reconnaissance (ISR) enabler shortfall in support of SOCOM.

Admiral FERGUSON. Navy has not conducted a complete assessment on the impact of sequestration on the service and its support of SOF. However, if the current reduction of approximately 9 percent across all lines remains in place, there will be a reduction of $9 million in SOF common items and secondary impacts on training, equipping, and integration of non-SOF units affected by a reduction in O&M funds to include:

- HSC–84 and –85 helicopter squadrons;
- Dry Deck shelter operations;
- ISR support;
- Afloat Forward Staging Bases (AFSB); and
- Navy Expeditionary Combat Command.

Navy will continue to support the Navy Special Warfare Command and provide the enablers, but decreased forward presence and reduced OPTEMPO will impact platform availability.

General AMOS. An assessment of how sequestration would affect the Marine Corps' ability to continue providing direct support to Marine Special Operations Forces (MARSOF) has been conducted. Lower funding rates across the budget, in this case Major Force Program-2 funding, would reduce resources for manpower, recruitment, purchase or replacement of critical equipment, maintenance and sustainment activities.

General WELSH. We have not conducted a specific assessment of sequestration impacts to SOCOM; however, the availability of Air Force assets to combatant commanders, including SOCOM, will be significantly impacted by weapon system sustainment reductions. Additionally, sequestration will defer procurement of AC–

130J gunships, delaying replacement of a high demand/low density special operations aircraft. The Air Force will continue to support contingency operations, however currency training for SOF aircraft, such as aerial refueling and exercise participation, will be limited due to the impacts of flying hour and weapon system sustainment reductions on other Air Force aircraft.

General GRASS. Yes. The National Guard understands the importance of the support provided to SOCOM by Army and Air National Guard forces. Despite the high priority of these missions, our analysis indicates that our ability to support SOCOM will be severely degraded if sequestration is fully implemented.

121. Senator INHOFE. General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, have you spoken with Admiral McRaven, Commander of SOCOM, about how sequestration would impact your ability to provide support to Special Operations Forces?

General DEMPSEY. Yes, we remain in a close dialog with SOCOM regarding the impacts of sequestration on Services' ability to provide support to Special Operations Forces. In the short term, I am assured that all mission critical support will remain available. We continue to place the highest emphasis on support to those deployed, preparing for deployment, and ensuring that essential services are in place for servicemembers upon their return from combat. However, sequestration will certainly negatively impact SOCOM as a result of Service reductions. SOCOM depends on the Services to provide support for institutional training, depot maintenance, second destination transportation and intra-theater lift. The combined effects of Service reductions in these areas will lead to a less capable SOF Warrior that is subject to increased risk in real world operations.

General ODIERNO. Yes.

Admiral FERGUSON. The Navy has not yet spoken directly to Admiral McRaven on how sequestration will impact service support, but the support staff and coordinating offices are constantly engaged with their counterparts at SOCOM & U.S. Naval Special Warfare Command.

General AMOS. An assessment of how sequestration would affect the Marine Corps' ability to continue providing direct support to Marine Special Operations Forces (MARSOF) has been conducted.

MARSOF is still growing in end strength to meet its commitment to SOCOM. This vital growth is composed of combat and combat service support structure that both provides the proper balance of operator to supporter and facilitates sufficient forces to reduce wear and tear on some of the busiest marines in the force. Sequestration has the potential to delay this manpower build.

MARSOF recruiting and initial training efforts in fiscal year 2013—which are paid for with Major Force Program-2 (MFP–2) funding—directly impact MARSOF's operational capability in 2014 and beyond. Lower funding rates across the budget, again including MFP 2, would reduce resources for recruiting, and ultimately reduce throughput of new critical skills operators (CSO) in the military occupational specialty 0372. These "operators" are the cornerstone of MARSOC force capability. MARSOC is also still growing operators to meet its commitment to SOCOM.

Continued aggressive recruiting is absolutely critical in meeting its force growth goals and SOCOM operational requirements. While detailed projections are still being refined, some rough projections can be made already. I believe that any reduction in CSO recruiting would prevent the creation of as many as three special operations teams' worth of critical skills operators. This shortfall will incur a high risk to MARSOC's future assigned missions and would induce increased operational tempo and a resultant stress on the remaining MARSOC marines and families.

Sequestration would also hamper my ability to buy or replace critical equipment for MARSOF. Furthermore, shortfalls in funding for intermediate and operational maintenance activities would reduce equipment readiness below 90 percent. These equipment readiness rates would negatively affect availability and support for essential training, exercises, and other pre-deployment activities. Delayed ground equipment repairs would ultimately affect adversely our MARSOF warfighting capability as forward deployed units would begin to suffer lower equipment readiness rates.

Finally, sequestration will impact sustainment activities such as inspections and classifications; servicing, adjustments, and tunings; testing and calibrations; repairs; modifications; rebuilding and overhauling; reclamation; and recovery and evacuation. These related activities are essential to supporting MARSOF equipment and marines.

General WELSH. No, I have not spoken directly to Admiral McRaven on this subject. Nor have I spoken directly to the other combatant commanders, but their Air Component Commanders are well aware of the impacts. That includes the Com-

mander of Air Force SOCOM. The availability of Air Force assets to combatant commanders, including SOCOM, will be significantly impacted by weapon system sustainment reductions. Additionally, sequestration will defer procurement of AC–130J gunships, delaying replacement of a high-demand/low-density special operations aircraft. The Air Force will continue to support contingency operations, however currency training for SOF aircraft, such as aerial refueling and exercise participation, will be limited due to the impacts of flying hour and weapon system sustainment reductions on other Air Force aircraft.

General GRASS. Sequestration would degrade the readiness of Special Operations Forces.

STATUS OF THE F–35 LIGHTNING ACQUISITION PROGRAM

122. Senator INHOFE. Secretary Carter, the F–35 Lightning program is the most critical major weapon acquisition being currently managed by DOD. Have you determined what will happen to aircraft development, production, and deliveries if sequestration is allowed to take place?

Secretary CARTER. The Under Secretary of Defense for Acquisition, Technology and Logistics is working closely with the F–35 program office, the Services, and the contractor to preserve the development program to the maximum extent possible. However, at a minimum, sequestration reductions will decrease the fiscal year 2013 LRIP 7 quantities, increasing unit recurring flyaway cost. We would also see a decrease in investments in tooling, redesigns for out-of-production parts, and cost reduction initiatives. Additionally, if a furlough of government workers and the shutdown of military airfields on weekends were to occur, these actions would significantly slow the execution of the F–35 flight test and delay fielding of capability.

If sequestration were to occur as laid out today, the F–35 development program would lose approximately $325 million in fiscal year 2013. To preserve the block 2B software delivery date and all the block 2B capability, the program would have to defer some work being done on the block 3I/3F capabilities. This deferral would delay the fielding of our international partners' capability as well as the full warfighting capability for the U.S. military.

123. Senator INHOFE. Secretary Carter, will there be a potential for higher costs and further delays?

Secretary CARTER. Please refer to my answer to question #122.

123a. Senator INHOFE. General Odierno, Admiral Ferguson, General Amos, and General Welsh, what will be the impact to your military capabilities if the F–35 program is significantly delayed?

General ODIERNO. Any significant delay to the F–35 program will have negligible impact to Army capabilities. To the extent that existing capabilities and capacity are maintained during the delay the Army would be able to adjust.

Admiral FERGUSON. Strike fighter inventory management will become more difficult with a delay or procurement reduction in the JSF program. A delay in delivery of the F–35C will result in a deferral to the fleet of a 5th generation fighter aircraft that brings the ability to effectively engage a wide range of targets and threats in contested airspace. It provides a "day-one" strike capability enabling greater tactical agility and strategic flexibility required to counter a broad spectrum of threats and win in an anti-access/area denied environment.

Also, the F–35C fused sensors improve and leverage many other existing systems and capabilities including those from F/A–18E/F. The Department found that the integration of F–35B and F–35C with key legacy aircraft (e.g. F/A–18E/F, E/A–18G, et cetera) provides the required multi-role mix of fourth and fifth-generation capabilities needed across the full spectrum of combat operations to deter potential adversaries and enable future Naval and Marine Aviation power projection to address assigned U.S. National and Military Strategy requirements.

General AMOS. The Marine Corps continues to adjust tactical air (TACAIR) transition plans as F–35 procurement ramps are flattened, extending the sundown of our legacy fleet 7 years in the last two Presidential budgets. Any further delays in procuring the F–35 for the Marine Corps will not only result in increased unit recurring flyaway costs but will also create gaps in our operational capabilities due to the service life expiring on our legacy TACAIR inventory.

Currently, 80 percent of Marine F/A–18s have surpassed the designed service life limit of 6,000 hours and 110 of the Marine Corps' 256 will reach an extended service life authorization limit of 9,000 hours by 2020 equating to nearly half (43 percent) of the operational F/A–18 inventory. Successful achievement of the 9,000 hour serv-

ice life is predicated on an intense depot level, High Flight Hour inspection process. Sequestration and the CR impact the ability to perform these High Flight Hour inspections through reduced funding and the furlough of specialized artisans. The ability to extend the F/A–18 beyond 9,000 is unknown. Even if technically feasible, the extension beyond 9,000 hours would require significant investment in both manpower and materiel.

Scheduled AV–8B to F35B transitions in 2016 and 2023 are required to account for attrition losses and ensure available inventory meets flight line requirements. Any delays will create a shortfall in the AV–8B community and a delay in the fielding of F–35 squadrons, thereby reducing MEU capable squadrons to meet COCOM requirements. Additionally, extending AV–8B beyond 2030 incurs a significant cost with regard to capability upgrades for the aircraft to successfully operate in the future threat environment.

Relevancy, sustainment, and life extension issues for AV–8B and F/A–18 would be compounded by the delay of the introduction of F–35's fifth generation combat capability. This capability is critical to execute the National Security Strategy and our rebalance to the Pacific.

General WELSH. Our strategic shift to the Pacific and the proliferation of advanced aircraft and air defense systems significantly increases our requirement to be able to operate in an anti-access, area denial environment. Along with the F–22, the F–35 will be the cornerstone of this capability. Any delay in the F–35 will have an immediate and lasting impact on our ability to support our new strategy.

IMPACT OF SEQUESTRATION TO THE INDUSTRIAL BASE

124. Senator INHOFE. Secretary Carter, I am particularly concerned with the impact of sequestration to the industrial base, both in the public and private sector. This budget uncertainty, which directly impacts every State, makes efficient workload planning impossible and creates waste as workers sit idle or are let go and critical repairs are delayed. In addition, deferred depot and shipyard work will have a negative long-term effect by sending a bow wave of delays through future requirement for years to come. What will happen to the civilian workforce at public depots and shipyards if sequestration takes effect and work is cancelled for the third and fourth quarters?

Secretary CARTER. If sequestration occurs, the civilian workforce at Defense depots and shipyards will be furloughed for up to 22 days. Previously funded workload that was inducted into the depots will continue, although at a slower rate. If the budget caps remain in place beyond fiscal year 2013, there will have to be a significant downsizing across the Department, including at depots and shipyards. The Department has not determined how this impact would be distributed and what the consequences for the depot and shipyard workforce would be, but it would be significant and probably fall much more heavily in some locations than others.

125. Senator INHOFE. Secretary Carter, when will they be notified of their status?

Secretary CARTER. The Department will follow all of the required processes and notifications required for a planned furlough implementation. Our goal is to be consistent across the Department in the implementation of the planned furlough. Civilian employees at depots will be notified during the same timeframe as other DOD civilian employees affected by sequestration. Under our current furlough plan, civilians subject to furlough would begin to be notified in mid-March. Furloughs could begin as early as late April.

126. Senator INHOFE. Secretary Carter, in the private sector, the budget uncertainty has the most drastic negative effects for second- and third-tier suppliers. These are mostly small businesses that need a steady contract to maintain their dedicated workforces. I fear that without these contracts, some of these small companies may be forced to go out of business. In your opinion, what effect will sequestration have on these small businesses?

Secretary CARTER. I believe you have described the situation accurately in your question; budget swings and uncertainty disproportionately affect lower-tier suppliers and small businesses. Second- and third-tier suppliers rely on the prime contractors to pay them in a timely manner; this will become increasingly difficult during sequestration as firms conserve cash. Smaller firms, which form the backbone and technological future of the industrial base, tend to focus on inventing, and they have smaller cash Reserves to rely upon and less access to capital in hard times. Smaller firms are generally more financially vulnerable than the larger, more stable prime contractors. As top-lines and margins are squeezed, sequestration will se-

verely impact our smaller, lower-tier firms. Some small firms will have no choice but to close their doors.

127. Senator INHOFE. Secretary Carter, when will they be notified of the impact to their contracts?

Secretary CARTER. Generally, we will try to avoid opening previously funded contracts. Contracting Officers will notify a contractor of any impact to a given contract once a decision has been made by the program manager and his team that some change will be required for the program and the scope of the change to be made has been identified. I have already authorized our acquisition leadership to begin discussions with industry on potential impacts of sequestration on a case-by-case basis.

128. Senator INHOFE. Secretary Carter, do you have an estimate of the extra costs and workload for DOD to stop and then start contracts?

Secretary CARTER. Any change to a contract that affects scope or schedule increases workload and administrative costs. However, it is not possible to provide a general estimate of cost based on potential changes. We will be able to project cost on an individual contract basis once we have identified the specific changes that will occur.

SEQUESTER IMPLICATIONS ON THE NATIONAL NUCLEAR SECURITY ADMINISTRATION

129. Senator INHOFE. Secretary Carter, more than most people, you understand the necessity to maintain the safety, security, and reliability of our nuclear weapons and to modernize the nuclear weapons complex. You also understand the critical relationship—stated in the 2010 NPR—between nuclear force reductions and a responsive nuclear infrastructure. While funding for the nuclear weapons complex falls within the Department of Energy budget, please give me your assessment of the impact of a further 7.7 percent reduction to National Nuclear Security Administration (NNSA) weapons activity funding that would be required under the sequester.

Secretary CARTER. While we would have to defer to NNSA for specifics, a sequester cut, if applied across the board reduction to NNSA weapons activity funding, would impact our ability to continue our plans to modernize the nuclear stockpile. Eighty percent of the nuclear stockpile will be in various stages of life extension efforts over the next 5 to 10 years. A budget reduction that impacts NNSA's ability to perform one or more of these life extension programs would introduce substantial risk in our ability to sustain the stockpile and diminish confidence in the nuclear deterrent. We are also relying heavily on a modernized nuclear weapons complex to perform this work. Budget reductions delaying construction would introduce additional significant risk to scheduled modernization.

130. Senator INHOFE. Secretary Carter, is it not the case that delays to achieving a responsive nuclear infrastructure should also impact whether we continue to reduce our remaining nuclear stockpile?

Secretary CARTER. The infrastructure and the stockpile size are related, but a number of factors affect the needed size of the stockpile and the timing and scale of needed modernization programs for our nuclear infrastructure. The Department has been working closely with DOE for the past year to understand infrastructure needs to support the current and planned stockpile and we believe we have a sound plan. We would have to reevaluate some of that work if the stockpile were significantly reduced below today's levels; however I believe that the central elements of that plan would not change. The administration and the Department are committed to maintaining a safe, secure and reliable stockpile and the necessary infrastructure to support the strategic deterrent, whether or not total stockpile size is reduced.

COMMANDER'S RISK ASSESSMENT

131. Senator INHOFE. General Dempsey, last year you conducted a series of strategic seminars with the Joint Chiefs and combatant commanders to discuss critical strategy and policy issues. The seminars were intended to contribute to an updated risk assessment required by Congress each year on the ability of the Armed Forces to carry out its roles and responsibilities. Can you provide a brief review of the major findings and risks identified during the seminars? Specifically, what general areas (in an unclassified setting) do the Joint Chiefs deem as high to severe risk?

General DEMPSEY. These seminars were very helpful in gaining insights on joint force priorities and looking for alternative ways to meet global and regional end states with reduced means, in the context of implementing a fiscally constrained Defense Strategic Guidance (DSG). We identified major challenges that, given further budget cuts, will require reevaluation of our strategy and future force structure requirements. With regard to risk, those findings were used to inform risk characterizations in my 2013 Chairman's Risk Assessment which I will soon submit to the Secretary of Defense for forwarding to Congress.

132. Senator INHOFE. General Dempsey, how will you address the threat of sequestration in your upcoming risk assessment?

General DEMPSEY. An immediate effect of the threat of sequestration which I will address in my Chairman's Risk Assessment is the negative impact of budget uncertainty on our ability to most effectively plan, resource and conduct activities vital to our national security. Fiscal uncertainty undermines U.S. credibility and complicates effective, efficient military strategic planning.

EFFECTS OF SEQUESTRATION ON TRICARE

133. Senator INHOFE. Secretary Carter and Secretary Hale, during an August 1st House Armed Services Committee hearing you warned that, "Funds for the Defense Health Program, which provides health care for retirees and military dependents, would be sequestered, resulting in delays in payments to service providers and, potentially, some denial of medical services." At a September 20, 2012, hearing before the same committee, Secretary Hale indicated that under sequestration, DOD may not be able to cover all its TRICARE bills and stated, "I'm not sure what our providers would do in that case. We would be just late, and then we would try to fix it in 2014, but it is not a good situation." In today's hearing statement, you again say that "DOD might not have enough funds to pay TRICARE bills toward the end of the fiscal year." TRICARE providers are willing to accept a discounted fee off of Medicare rates because DOD has a good reputation for making timely claims payments. Prompt payments drive TRICARE provider satisfaction and allow TRICARE contractors to build a robust provider network for military personnel, dependents, and retirees across the country. The President exempted military personnel accounts from sequester in order not to break faith with military personnel, their families, and our retirees. Yet, sequestering funds from the TRICARE program would, in effect, erode this commitment. What reductions in TRICARE coverage should beneficiaries expect in the event of sequestration?

Secretary CARTER. Beneficiaries will not see reductions in TRICARE coverage in the event of sequestration. Access to TRICARE by eligible beneficiaries is a benefit provided by law, and we have no authority to curtail that benefit. However, sequestration will result in the potential loss of over $3 billion in resources from the Defense Health Program in the last half of fiscal year 2013. This substantial loss in funds could force us to slow or suspend claims payments or to make difficult funding tradeoffs to continue paying private sector claims. We are actively looking at plans to mitigate these problems, but we do not yet have a plan to avoid all problems unless Congress acts to detrigger sequestration.

Secretary HALE. Beneficiaries will not see reductions in TRICARE coverage in the event of sequestration. Access to TRICARE by eligible beneficiaries is a benefit provided by law, and we have no authority to curtail that benefit. However, sequestration will result in the potential loss of over $3 billion in resources from the Defense Health Program in the last half of fiscal year 2013. This substantial loss in funds could force us to slow or suspend claims payments or to make difficult funding tradeoffs to continue paying private sector claims. We are actively looking at plans to mitigate these problems, but we do not yet have a plan to avoid all problems unless Congress acts to detrigger sequestration.

134. Senator INHOFE. Secretary Carter and Secretary Hale, what effects will cuts in DOD health budget accounts have on the TRICARE provider network?

Secretary CARTER. Sequestration could have a potentially ruinous effect on the provider network if we are forced to slow or suspend claims payments. We have spent years building a provider network that has come to recognize us as a reliable payer. Our goal is to maintain these good relationships and sustain the provider network intact despite the challenges posed by sequestration.

Secretary HALE. Sequestration could have a potentially ruinous effect on the provider network if we are forced to slow or suspend claims payments. We have spent years building a provider network that has come to recognize us as a reliable payer.

Our goal is to maintain these good relationships and sustain the provider network intact despite the challenges posed by sequestration. As I have noted elsewhere, we are searching for ways to minimize these problems.

135. Senator INHOFE. Secretary Carter and Secretary Hale, what steps are you taking to minimize these effects?

Secretary CARTER. In order to minimize the impact on the Direct Care system and insure we do not have to suspend payment of TRICARE claims, we will be forced to disproportionately use RDT&E and Procurement funds for O&M purposes. To accomplish this, we will need significant financial transfer and/or reprogramming authority. This strategy will help preserve the delivery of health care but doing so will mean that important research projects will be slowed or stopped altogether. Existing equipment will be used longer with the chance for more breakdowns and increased maintenance costs. At some point, equipment becomes obsolete and cannot be repaired any longer. These actions, in response to a sequestration, will substantially delay the benefits of research projects and will drive increased bills for equipment in future years.

In addition, by focusing all resources on the provision of patient care under a sequestration, we will have less funding to address facility maintenance and needed restoration and modernization projects. This will negatively affect the care environment and potentially drive substantial bills in the future. While we will continue to fund projects that affect patient safety or that are emergent in nature, we will see a degradation in the aesthetic quality and functionality of our facilities. This can impact the morale of both the staff and the patients and can greatly degrade the patient's experience of care. Many of our facilities are older and require substantial upkeep. To delay these projects only exacerbates the problem and ultimately the staff and more concerning, the patients, suffer the consequences. This is not a sustainable strategy.

Secretary HALE. In order to minimize the impact on care provided in military treatment facilities and by the private sector network, we may be forced to attempt to make disproportionate use of RDT&E and Procurement funds for healthcare purposes. This means that important research projects will be slowed or stopped altogether. Existing medical equipment will be used longer with the chance for more breakdowns and increased maintenance costs. At some point, equipment becomes obsolete and cannot be repaired any longer. These actions, in response to a sequestration, will substantially delay the benefits of research projects and will drive increased bills for equipment in future years.

In addition, by focusing all resources on the provision of patient care under a sequestration, we will have less funding to address medical facility maintenance and the needed restoration and modernization projects. As with the use of research funds, this mitigation strategy would come with a cost. This will negatively affect the healthcare environment and potentially drive substantial bills for facility maintenance in the future. While we will continue to fund projects that directly affect patient safety or that are emergent in nature, we will see a degradation in the aesthetic quality and functionality of our medical facilities. This can impact the morale of both the medical staff and the patients and can greatly degrade the patient's experience of healthcare within the military health system. Many of our facilities are older and require substantial upkeep. To delay these medical facility projects only exacerbates the problem and ultimately the medical staff and more concerning, the patients, suffer the consequences. This is not a sustainable strategy.

Nor is it clear that this strategy to mitigate the effects on TRICARE will work. Its viability depends on decisions about appropriations bills and other legal issues. Therefore, we still do not feel that we have a good strategy to offset TRICARE problems. Indeed, the only sure way to offset them would be to detrigger sequestration.

136. Senator INHOFE. Secretary Carter and Secretary Hale, since solo or small practice providers, like mental health counselors, don't necessarily have the financial resources to wait a long time for claims payments, they may drop out of TRICARE's provider network. If this happens, what is your plan to ensure TRICARE's access standards are met under sequestration?

Secretary CARTER. As we work to address the impact of sequestration within the Military Health System, our focus will remain on providing exceptional, accessible care to all beneficiaries and avoiding the suspension or delay of TRICARE claim payments. To do so, we will require significant financial transfer and/or reprogramming authority to allow us to disproportionately use investment account funds (RDT&E and Procurement) to sustain our health care operations. While we believe this will minimize the disruption to our patients in the very short term, it comes at a high cost, especially in subsequent years.

Secretary HALE. As we work to address the impact of sequestration within the Military Health System, our focus will remain on providing exceptional, accessible care to all beneficiaries. Our goal is to maintain our provider network to include solo, small practice, and mental health counselors despite the challenges posed by sequestration. To do so, we are considering making disproportionate use of investment account funds (RDT&E and Procurement) and/or facility maintenance projects funding to sustain our health care operations. If this plan works, it will minimize the disruption to our patients in the very short term. But it comes with a significant cost, especially in subsequent years, and it is not yet certain that it will work.

137. Senator INHOFE. Secretary Carter and Secretary Hale, if providers drop out of the TRICARE network, how will you convince them to get back into the network after you have destroyed their trust in TRICARE?

Secretary CARTER. It has taken us years to build our robust health care network. Our strategy is to maintain that to the best of our ability despite the devastating impact that sequestration will bring in other areas. In addition to obtaining financial transfer and/or reprogramming authority for the use of RDT&E and Procurement funds, we intend to take substantial risk in Operation and Maintenance accounts, such as Facility Sustainment and Restoration and Modernization, in order to continue to pay TRICARE claims and avoid harming the network. Otherwise we may have to slow or suspend TRICARE claims payment as soon as July 2013.

Secretary HALE. It has taken us years to build our robust health care network. Our strategy is to maintain that to the best of our ability despite the devastating impact that sequestration will bring in other areas. We hope that we can identify a plan that permits us to take substantial risk in other areas, such as Facility Sustainment, Restoration and Modernization and investment accounts, in order to continue to pay TRICARE claims and avoid harming the network.

EFFECTS OF SEQUESTRATION ON FAMILY SUPPORT PROGRAMS

138. Senator INHOFE. General Odierno, Admiral Ferguson, General Amos, and General Welsh, the Services are in a budget bind and I am worried that morale will suffer with cuts to important military family support programs—child care centers, youth programs, recreation programs, commissaries, exchanges, and others. While dodging bullets and bombs, deployed servicemembers want to know that their family members are well cared for at home. What will you do to minimize the impact of budget cuts on morale of our Armed Forces?

General ODIERNO. The Army remains steadfast in its commitment to provide soldiers and families a quality of life commensurate with their service. With an across the board decrement to all other programs, critical Family Programs will be protected. Nevertheless, it will not be possible to protect every family program. An assessment is now underway to help us identify the most important programs. One of our biggest challenges will be to ensure morale remains high as we implement these large cuts. Soldiers are concerned about their future training, readiness and ability to serve in the future. They are dedicated professional soldiers who expect and deserve the best equipment, best military education and best training.

Admiral FERGUSON. Ensuring our sailors and their families are well cared for is a top priority. As a result, critical support programs will continue to be funded at levels that provide the support our sailors and their families deserve. Despite funding level reductions, we anticipate the following sailor and family programs will not see any impact:

1. Childcare Development Centers and Childcare Development Homes: Current staffing levels will be maintained to provide the required services in Childcare Development Centers and Childcare Development Homes.
2. Sexual Assault Prevention Program: Sexual Assault Prevention and Response remains a very high priority and no reductions in service or availability will occur.
3. Fleet and Family Service Centers: Through program efficiencies we expect Fleet and Family Support Services such as counseling, will continue with no impact on military members and their dependents.

By prioritizing resources this way, we will minimize the impact of budget cuts on our sailors and their families.

General AMOS. Marines and families are no different than their fellow citizens. Talk of looming budget cuts and the possible impact those cuts will have on their quality of life, their families, their children, their jobs all take a toll. Marines and families are resilient and morale remains high. They have proven that over the past decade of fighting two wars. Even though they have concerns, your marines con-

tinue to thrive while training hard and fighting hard. They stand ready to contain the crisis, fill the gap, and hold the line. They don't know when they will be called, but you should know that your marines, with their families standing behind them, are ready to leave tonight.

The Marine Corps' approach to potential sequestration cuts to our Marine and Family support portfolio is focused on preserving programs that support the health, welfare and morale of our marines and their families while taking acceptable levels of risk in lower-priority programs.

General WELSH. We have already begun to feel the impacts of reduced funding levels in previous years and under Continuing Resolution (CR) in fiscal year 2013. While there have been no enterprise-wide eliminated programs, Air Force Services closed 19 facilities and programs in fiscal year 2012. If sequestration occurs, and budgets are further constrained, we expect community support programs will be forced to make difficult decisions regarding future service models.

To help manage funding shortages from an enterprise-wide approach, we have conducted a clean slate review of all Morale, Welfare and Recreation programs and identified a funding strategy model for guidance in making fiscal decisions with regard to Family Support Programs when funding becomes limited. This involved identifying "Core" family support programs, i.e. Appropriated Fund Dining (i.e. dining facilities, flight kitchens); Fitness; Child and Youth Care; Airmen and Family Readiness; Libraries; Outdoor Recreation and Youth Programs to prioritize scarce funding towards these important programs. This strategy provides an avenue to focus support programs to promote retention, readiness, unit cohesion and morale of our Airmen and their families. In addition, commissaries and exchanges have conducted top to bottom operational reviews in efforts to reduce costs and become more efficient while continuing to provide quality services to our Airmen and their families.

139. Senator INHOFE. General Odierno, Admiral Ferguson, General Amos, and General Welsh, how will you shield family support programs from the cuts you expect to happen under sequestration?

General ODIERNO. If sequestration takes place, we must take care of must-pay civilian pay, utilities, and key life health and safety services. This strains our ability to protect Army Family Programs which are a priority for the Army. Impacts will likely be caused by termination of contracts when possible or by other reductions to family programs. Child Development Centers (CDCs) will likely lose flex and hourly childcare support, and will likely reduce hours based on the Army wide hiring freeze, looming furlough, and funding reduction appropriated funds previously used to assist in recapitalization of CDCs and Child, Youth, and School Age Services facilities will likely be withdrawn and sustainment and maintenance projects deferred or cancelled. Additional actions such as a reduction in physical fitness facility hours and library services may be required. Furloughs will affect the delivery of services at Army Community Service, in programs like Army Family Team Building, spouse employment services, victim advocate support to domestic violence victims, survivor outreach support to our surviving family members, critical family and new parent life skill development programs and support to families with special needs children. We will protect these programs to the extent feasible, but the Army-wide hiring freeze will prevent us from arresting natural attrition, potentially causing soldiers to perform duty in fitness centers, personnel service retirement service, and housing referral service offices. These are our initial insights, as the Army Staff and Commands continue analysis and planning as we respond to emerging missions and priorities.

Admiral FERGUSON. Overseas Morale, Welfare, and Recreation (MWR) programs will be preserved to the greatest extent possible. There will likely be reductions in service hours and capacity in the following programs CONUS:

- Fitness Centers will see possible reductions in hours of operations and services. Our focus is on providing fitness programs to a level that meets current readiness requirements.
- MWR facilities across the Navy are likely to experience reduced operating hours and services.

To mitigate sequestration impacts on and maintain the highest level of support to military members and their families, Navy will cancel construction of MWR facilities, as well as reduce sustainment of existing MWR facilities. This will increase long-term risk as facilities age without recapitalization and will increase operating costs, negatively impacting the long-term MWR self-sustaining business model. However, it will enable Navy to continue to provide minimum levels of service for the longest possible time.

General AMOS. The Marine Corps' approach to potential sequestration cuts is focused on preserving programs that support the health, welfare, and morale of our marines and their families while taking acceptable levels of risk in lower-priority programs. These protected program areas are considered most essential in meeting the organizational objectives of the Marine Corps. They collectively promote the physical and mental well-being of marines and families, a requirement that supports the accomplishment of our operational requirements.

General WELSH. The cuts that will result under sequestration in family support programs make it challenging to provide programs to maintain ready, resilient Airman and may further impact readiness and unit cohesion. Recognizing these challenges, demographics and lifestyles of today's Airmen and families, we are reviewing all family and MWR programs based on customer satisfaction surveys and business analysis. Our goal is to determine how best to provide family and MWR programs and base-level support services in today's budget-constrained environment. For instance, we are focusing our resources on those core programs (ex: Food, Fitness, Child Care) which best support ready, resilient Airman and may be forced to make hard decisions to not support those non-core programs (ex: Auto Hobby, Arts & Crafts, Bowling Centers) which are less utilized by Airman and their families. In summary, we are leveraging our resources to better meet the needs of Airmen and their families we serve.

140. Senator INHOFE. General Odierno, Admiral Ferguson, General Amos, and General Welsh, how are services, such as child care support and family readiness programs, affected by sequestration?

General ODIERNO. If sequestration takes place, we must take care of must-pay civilian pay, utilities, and key life health and safety services. This strains our ability to protect Army Family Programs which are a priority for the Army. Impacts will likely be caused by termination of contracts when possible or by other reductions to Family programs. Child Development Centers (CDCs) will likely lose flex and hourly childcare support, and will likely reduce hours based on the Army wide hiring freeze, looming furlough, and funding reduction. Appropriated funds previously used to assist in recapitalization of CDCs and Child, Youth, and School Age Services facilities will likely be withdrawn and sustainment and maintenance projects deferred or cancelled. Additional actions such as a reduction in physical fitness facility hours and library services may be required. Furloughs will affect the delivery of services at Army Community Service, in programs like Army Family Team Building, spouse employment services, victim advocate support to domestic violence victims, survivor outreach support to our surviving family members, critical family and new parent life skill development programs and support to Families with special needs children. We will protect these programs to the extent feasible, but the Army-wide hiring freeze will prevent us from arresting natural attrition, which may cause degradation of services. These are our initial insights, as the Army Staff and Commands continue analysis and planning as we respond to emerging missions and priorities.

Admiral FERGUSON. The Navy will limit to the greatest extent possible the impact on Childcare, Sexual Assault Prevention and Response (SAPR), and Fleet and Family Support Service programs for military members and their families. The Navy plans to maintain current staffing levels at Childcare Development Centers and Childcare Development Homes to provide childcare services under our Child and Youth Program. Overseas MWR programs will be preserved to the greatest extent possible, while CONUS programs will likely see reductions in service hours and capacity. SAPR hiring actions to meet NDAA 12 requirements are ongoing and will be complete by 1 Oct 2013.

General AMOS. Programs such as child care and other family readiness programs were not part of the exempted personnel costs. However, the Marine Corps' approach to potential sequestration cuts to our Marine and Family support portfolio, to include our child care and family readiness programs, is focused on preserving the programs that support the health, welfare and morale of our marines and their families, while taking maneagble risk in lower-priority programs such as our youth and teen and recreation programs. These services may be impacted by fewer support staff, shorter hours of operation, imposition of user fees, or termination of the program.

General WELSH. Child care support will be affected by sequestration if Child and Youth Program staff are furloughed. The impact will vary by installation based on available staffing but could result in reduced hours of operation, or reduced class sizes, leading to longer wait lists. If Child Development Programs (Child Development Centers, Family Child Care and School-Age Programs) are curtailed, single and dual working parents will be required to adjust their work hours or find alter-

native care. Child care outside the gate is extremely limited for infants/toddlers at many locations.

Another potential impact of sequestration and a furlough will be the inability to open approximately 750 child care spaces that are currently in different phases of construction. Child care waiting lists may continue to grow without this additional space. In addition, military spouses comprise an estimated 25 percent of our Child and Youth Program workforce, thus causing added financial hardship to military families.

We are committed to supporting our airmen and their families and will make adjustments in an effort to focus our resources to where they are most needed.

141. Senator INHOFE. General Odierno, Admiral Ferguson, General Amos, and General Welsh, what is the projected impact on housing entitlements and tuition assistance?

General ODIERNO. The President exempted the military pay accounts from sequester. The Department is committed to ensure military members continue to be paid in a timely manner. As such, housing entitlements will not be impacted by either a sequestration or a full-year CR. Basic Allowance for Housing (BAH) is paid with the Military Personnel, Army (MPA) appropriation which, as stated, has been exempted by the President. With the fiscal year 2012 enacted budget, and the fiscal year 2013 OCO request, MPA is adequately funded for fiscal year 2013. However, while the Department fully expects to meet its military payroll obligations and ensure military members are paid in the event sequester occurs, other areas of pay administration, such as the timeliness of executing payroll changes, will be degraded.

Tuition assistance may see significant impacts in the event of sequestration. With the military pay accounts exempted, the O&M accounts will be targeted with a higher percentage of the bill to pay. Tuition assistance is paid from O&M, so while existing tuition assistance agreements (i.e., for those currently enrolled in class or those approved prior to sequestration) will be honored, the shortfall in O&M for fiscal year 2013 means funding for future enrollments may be diverted to mitigate risk to higher priority Army programs.

Admiral FERGUSON. Since Basic Allowance for Housing is funded through Military Personnel appropriations, which are exempt from sequester, we do not anticipate any impact on housing entitlements. The CNO has consistently emphasized his commitment to protect tuition assistance funding as much as practical.

General AMOS. The Marine Corps' approach to potential sequestration cuts is focused on preserving programs that support the health, welfare, and morale of our marines and their families while taking risk in lower priority programs such as Tuition Assistance (TA). These protected program areas are considered most essential in meeting the organizational objectives of the Marine Corps. They collectively promote the physical and mental well-being of marines and families, a requirement that supports the accomplishment of our operational requirements.

Based on the impact of sequestration, the Marine Corps will only be able to offer TA to eligible marines for the first through third quarters of fiscal year 2013. While a marine's educational goals are a priority, marines have other tools at their disposal to achieve their goals. Marines interested in pursuing higher education after the expiration of TA funds will still have their GI Bill benefits to fund higher education needs.

Because the military personnel accounts have been expressly exempted from sequestration spending cuts for this fiscal year, pay and allowances, including housing entitlements, for our marines should be unaffected during 2013. However, if not exempted in fiscal year 2014 and beyond, the level of these benefits will need to be re-evaluated and may be negatively impacted.

General WELSH. The Air Force continues to be committed to the professional development of our airmen, including the financial assistance military tuition assistance provides toward post-secondary academic education. We believe the programs supported by military tuition assistance are vital to the retention and readiness of airmen in an increasingly complex environment. As such, the Air Force currently has no plans to curtail military tuition assistance. However, the Air Force will consider various eligibility management controls, if needed, to mitigate the effects of sequestration.

Were military tuition assistance to be stopped due to sequestration, approximately 100,000 airmen, primarily from the E–4 to E–6 grades, would be impacted. Also, approximately 6,500 senior noncommissioned officers without a degree may see promotion impacts due to the missed opportunity to complete their Community College of the Air Force degree. In addition, over 200 technical training instructors may not

be able to complete their degrees within timelines prescribed by the accrediting agency, possibly impacting the overall accreditation status of Air University.

In regards to housing entitlements, Basic Allowance for Housing entitlement is paid through the military personnel account, which is exempt from sequestration impacts. There will be no impact to housing entitlements.

142. Senator INHOFE. General Odierno, Admiral Ferguson, General Amos, and General Welsh, as we see this looming threat just over the horizon, can you say how a sequestration is affecting the morale of our servicemembers?

General ODIERNO. The workforce mix of the Army will be negatively impacted. Soldiers exhibit the best morale when they are able to do their jobs. Sequestration will force the Army to use its most valuable human capital, its soldiers, in ways we would prefer not to. As civilians and contractors are furloughed or eliminated due to the fiscal reality, critical missions must still be performed. Some of those missions will have to be performed by soldiers because there isn't another source of other manpower available. This could negatively impact morale as well as degrade overall readiness.

Of course, our soldiers count on us to ensure they have the resources to do their jobs and take care of their families. The overall sense of uncertainty that sequestration hangs over the force will, over time, have an impact. One of our biggest challenges as leaders will be to ensure morale remains high as we implement these large cuts. Soldiers are concerned about their future training, readiness and ability to serve in the future. They are dedicated professional soldiers who expect and deserve the best equipment, best military education and best training.

Admiral FERGUSON. Our sailors, civilians, and their families are experiencing increased anxiety as a result of this fiscal uncertainty. This will have a corrosive effect on the morale of our people over time.

For most sailors and their families, the immediate effect of sequestration and a year-long continuing resolution is the uncertainty in the deployment schedules of our ships and aircraft. Delayed, extended, or canceled deployments disrupt the lives of Navy families. Increased anxiety, family separation, and impacts to family budgets due to this uncertainty clearly have an impact.

The reduction of ready forces will also put greater stress on deployed or soon-to-deploy sailors assigned to ships and squadrons as they operate at a higher tempo. While military compensation is exempt from sequestration, there is a cost to the force in having them maintain our ships and aircraft and train for future deployments with fewer resources, spare parts, and less depot maintenance. The overall anxiety and fiscal uncertainty could affect the decisions of our sailors and civilians to continue their service in the Navy.

General AMOS. Marines and families are no different than their fellow citizens. Talk of looming budget cuts and the possible impact those cuts will have on their quality of life, their families, their children, their jobs all take a toll.

Marines and families are resilient and morale remains high. They have proven that over the past decade of fighting two wars. Even though they have concerns, your marines continue to thrive while training hard and fighting hard. They stand ready to contain the crisis, fill the gap, and hold the line. They don't know when they will be called, but you should know that your marines, with their families standing behind them, are ready to leave tonight.

General WELSH. The potential impacts of sequestration are providing a lot of uncertainty in the force and add another stressor affecting the resilience and readiness of our airmen and their families and are affecting morale. Our airmen are concerned about potential force reductions, civilian furloughs, and the effects it will have on their teammates, the weapon systems they operate and support to the myriad programs they execute in defense of our Nation.

143. Senator INHOFE. General Odierno, Admiral Ferguson, General Amos, and General Welsh, how is this uncertainty affecting their families?

General ODIERNO. I believe all families are concerned in this uncertain fiscal climate, but I also believe they are trusting the Army to do the right thing. To this end, family programs remain the Army's priority, and I intend to protect those programs, to the extent possible, that hold the most value, and that provide the most benefit to our soldiers and their families.

Admiral FERGUSON. For most sailors and their families, the immediate effect of sequestration and a year-long continuing resolution is the uncertainty in the deployment schedules of our ships and aircraft. Delayed, extended, or canceled deployments disrupt the lives of Navy families. Increased anxiety, family separation, and impacts to family budgets due to this uncertainty clearly have an impact.

The reduction of ready forces will put greater stress on deployed or soon-to-deploy sailors assigned to ships and squadrons as they operate at a higher tempo. While military compensation is exempt from sequestration, there is a cost to the force in having them maintain our ships and aircraft and train for future deployments with fewer resources, spare parts, and less depot maintenance. The overall anxiety and fiscal uncertainty could affect the decisions of our sailors and civilians to continue their service in the Navy.

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Marines and families are resilient and morale remains high. They have proven that over the past decade of fighting two wars. Even though they have concerns, your marines continue to thrive while training hard and fighting hard. They stand ready to contain the crisis, fill the gap, and hold the line. They don't know when they will be called, but you should know that your marines, with their families standing behind them, remain your expeditionary force in readiness.

General WELSH. The current fiscal uncertainty is impacting Air Force families as they plan for a loss of family income due to (the anticipated) furlough of civilian employees and the elimination of some temporary and/or term employees, and general uncertainty of unknown end strength reductions. However, our Airman and Family Readiness Centers provide a wide variety of programs and referral services such as financial planning, budgeting, resume writing, et cetera, designed to minimize impacts to airmen and their families.

If future force reductions become a reality, an increased number of mandatory Transition Assistance Program (TAP) classes may be required to support servicemembers. Additionally, wait times for services may be increased due to limited availability of all staff. However, we are committed to supporting our airmen and their families and will make adjustments as necessary.

EFFECTS OF SEQUESTRATION ON CIVILIAN PERSONNEL

144. Senator INHOFE. Secretary Carter, Secretary Hale, General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, the Services have told us they will furlough civilian personnel for up to 22 days under sequestration. This will result in a 20 percent pay cut for thousands of workers across the country, and many of them will not be able to make ends meet. Their families will suffer unnecessarily, and the President has shown no inclination to work with Congress to stop this devastation to families. How are you planning to minimize the financial impact of sequestration on civilian personnel?

Secretary CARTER. If sequestration occurs, by law it is required to impact all programs and appropriations across the board. Given the requirements of the law, DOD is implementing furloughs in a consistent manner across the Department. The Department will make every effort to monitor the stress on our employees and make sure we communicate the state of play. Government wide furlough rules will generally preserve benefits such as healthcare, but the Department does not have the tools or resources to minimize the impact of sequestration on our employees and their families.

Secretary HALE. The magnitude of the reductions that must be absorbed in the O&M accounts leaves the Department no choice but to reduce the funding required for civilian personnel. The timing of the sequestration exacerbates the situation, leaving only 6 months or less to execute these furloughs. This will result in making almost all Department civilians subject to being placed in a furlough status for 2 days of every pay period beginning in April and ending in September. This equates to a 20 percent reduction in their salaries for the remainder of the year. Unfortunately, the Department has little ability to minimize the financial impact on our civilians. However, the financial impact on civilian personnel can be avoided if Congress was to act to avoid sequestration.

General DEMPSEY. To the extent the Joint Staff is able to minimize the impacts of sequester, we will work within the law's parameters and OMB guidance to do so. The principal measures available are to keep civilian employees informed through regular communications advising them of Departmental deliberations on how best to handle the budget uncertainty, and their rights and obligations.

If sequestration is triggered, the Department may initiate civilian employee furloughs. These furloughs will occur across the civilian workforce in order to reduce individual impacts by spreading the costs more broadly throughout the Department. Affected employees will receive notification 30 days in advance stating the length

and cause of the furlough. OSD will also notify Congress of its intent to possibly furlough government civilian employees prior to the actions occurring.

According to guidance from the Office of Personnel Management, Federal Employee Health Benefits coverage will continue as long as premiums are paid. Dental, vision and long-term care insurance programs will also continue. Additionally, furloughed employees may become eligible for unemployment compensation dependent on State laws.

General ODIERNO. Our dedicated civilians do not deserve to be furloughed. It simply is not right. But furlough is the tool of last resort and due to the magnitude of sequestration we will most likely have to use it to achieve the mandated savings. The Army will minimize the financial impact of sequestration on civilian personnel by: working with Commands and labor partners to balance mission requirements and employee needs; spreading the furlough out over a 5-month period so that employees are only forced to take 1 day off per week without pay; and pursuing means to provide financial counseling through organizations such as Army Community Service (ACS) and information regarding assistance from local community services. In addition, the Army is planning to establish emergency assistance centers to advise and assist civilians on additional benefits they may be eligible for (e.g. State unemployment, et cetera).

Admiral FERGUSON. Once the decision is made to carry out an administrative furlough of civilian employees, other than terminating or shortening the furlough, there is no action the Department can take to mitigate the financial impact on our personnel of a 20 percent loss of pay; however, we are working with financial counselors, who routinely assist members and their families in times of financial hardship, to provide a minimum level of support to these civilian personnel and their families. Just as we are very concerned about the families of our military personnel, we are equally cognizant of the impacts of these things on the families of our civilian workforce.

General AMOS. The current plans of discontinuous furlough is the most viable means of curtailing negative financial impact on families by spreading the pain across multiple weeks rather than bundling all 22 days together and creating a full "work-month" where employees would go a full 4 weeks without pay. Although still negatively impacting our civilian workforce, this is the best way to minimize the financial impact of a 20 percent pay cut over a 6-month period. By law, such furloughed employees cannot receive severance pay; they cannot substitute paid leave or other time off for furlough time; they cannot earn overtime to compensate for furlough days off; and, they may not be able to receive unemployment compensation depending on State requirements.

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. Overall, employee stress will increase; morale will decline; productivity will suffer; commitment to Federal service may decrease; and military missions will suffer.

General WELSH. We are fully aware of the crippling financial impact sequestration and an administrative furlough will have on our civilian workforce during the furlough period. In an effort to minimize the impact, the Air Force plans to spread out furlough days over multiple pay periods through the remaining fiscal year to minimize immediate financial impact for each employee.

General GRASS. We will work with our title 5 civilian force and with our much-larger Military-Technician force, as well as with their union representatives in order to minimize as much as possible the transition affects that may be imposed on both groups by sequestration actions and to ensure that the actions taken are consistent with law and with appropriate consideration of the provisions and parameters provided for within their collective bargaining agreements.

145. Senator INHOFE. Secretary Carter, Secretary Hale, General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, civilian personnel faithfully provide many of the clinical and support services our Active Duty servicemembers and their family members need. Just last Friday, I visited Walter Reed National Military Medical Center and witnessed the outstanding care that our wounded warriors are getting there. Civilian employees at Walter Reed make up 43 percent of total employees. They are the doctors, nurses, records clerks, pharmacists, mental health counselors, and lab technicians caring for our Nation's heroes. How do you plan to maintain the critical clinical and support services civilian workers provide to our wounded warriors and other beneficiaries while you furlough thousands of them across the country?

Secretary CARTER. Wounded Warriors are a priority for the Department and will be protected above all else. In no case will quality of care be compromised. However,

if civilian healthcare staff is furloughed, we will have considerably less capacity to treat patients in military treatment facilities. In patient care areas, nearly 40 percent of the full-time equivalent staffing is civilian. While we are looking at ways to mitigate the impact of a furlough, we can expect it will cause confusion, inconvenience and dissatisfaction amongst patients who are accustomed to getting their care in military treatment facilities. This frustration may translate into patients who formerly received care in a military treatment facility now seeking care in the private sector at an increased cost to the Government. If sufficient increases in the demand and cost for care in the private sector occur, we could find ourselves in a position of exceeding the budgeted funding for purchased care and will have to make additional, difficult funding tradeoffs to continue paying private sector claims.

Secretary HALE. If civilian healthcare staff is furloughed, we will have considerably less capacity to treat patients in military treatment facilities. We will find ways to protect the care provided to our wounded warriors, but that decision may exacerbate other problems. In patient care areas, nearly 40 percent of the full-time equivalent staffing is civilian. We will offset effects for wounded warriors and we will look for ways to mitigate the impact of a furlough. But we can expect it will cause confusion, inconvenience and dissatisfaction amongst patients who are accustomed to getting their care in military treatment facilities. This frustration may translate into patients who formerly received care in a military treatment facility now seeking care in the private sector at an increased cost to the Government. If sufficient increases in the demand and cost for care in the private sector occur, we could find ourselves in a position of exceeding the budgeted funding for purchased care and will have to make additional, difficult funding tradeoffs to continue paying private sector claims.

General DEMPSEY. We remain committed to world-class medical care for wounded warriors and other beneficiaries. We will support the Services' and OSD's efforts to mitigate the effects of sequestration on the systems that provide this care, and will advocate for joint coordination of medical resources as necessary to allow cross-leveling of resources between facilities and between Services. However, mitigating the impact of sequestration on our wounded warriors will impact our other beneficiary populations through decreased access to Military Treatment Facility care, and will increase TRICARE costs as we utilize its network to maintain benefit delivery despite any resource losses.

General ODIERNO. Our valued civilian employees represent as much as 60 percent of the workforce at many Army medical treatment facilities. Wounded Warriors have first priority for health care and are covered by an enhanced access standard under the Army Medical Action Plan. Additionally, the Secretary of the Army's guidance for fiscal uncertainty protects Wounded Warrior programs. The collateral impact is that our soldiers, their family members, and the rest of our beneficiary population may experience degraded access to care and the potential dissatisfaction with our system as nonurgent care is deferred to the network.

Admiral FERGUSON. The impact of sequestration will be felt throughout the Navy, including Navy Medicine. We recognize that any potentially directed furlough of civilian employees will have some impact to health care services at our medical treatment facilities. We will continue to carefully assess mitigation strategies to minimize impact on all our beneficiaries; however, care for our wounded warriors will remain our highest priority.

We will ensure continued care to wounded warriors as they are identified in the patient population through the case management programs and specialty care treatment they receive. If furlough occurs, we will be able to carefully track our wounded warriors and ensure their continuum of care is uninterrupted. In the event of furlough, Navy medicine is prepared to shift military assets as required to ensure uninterrupted care to wounded warriors and their families. This action, however, may require Navy medicine to divert non-wounded warrior patient care to the private sector network.

General AMOS. The impact of sequestration will be felt throughout the Navy and Marine Corps, including Navy medicine. Our wounded and injured marines and their families receive outstanding care through Navy medical treatment facilities. The Navy Bureau of Medicine and Surgery (BUMED) recognizes that any potentially directed furlough of civilian employees will have some impact on health care services at medical treatment facilities. Navy medicine plans to carefully assess mitigation strategies to minimize impact on all beneficiaries; however, care for wounded warriors will remain Navy medicine's highest priority.

BUMED plans to ensure continued care to wounded warriors as they are identified in the patient population through the case management programs and specialty care treatment they receive. If furlough occurs, Navy medicine will be able to carefully track our wounded warriors and ensure their continuum of care is uninter-

rupted. In the event of furlough, Navy medicine is prepared to shift military assets as required to ensure uninterrupted care to wounded warriors and their families. This action, however, may require Navy medicine to divert non-wounded warrior patient care to the private sector network.

General WELSH. Only 24-hour inpatient or emergency service care providers are excepted from furlough. Care providers serving wounded warriors, in addition to regular case loads, are subject to furlough. However, we expect medical facility leadership to staff their units to best serve their patients with the least disruption to patient care. 80 percent of our non-medical wounded warrior care is provided through protected contracts (Recovery Care Coordinators and non-clinical case managers). The 20 percent of civilian case managers subject to furlough will continue to provide coverage through adjusted work schedules.

General GRASS. The National Guard relies on the Services for medical support; any impacts to the Services will impact the National Guard.

146. Senator INHOFE. Secretary Carter, Secretary Hale, General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, many healthcare providers and support personnel in DOD facilities are civilians—Navy (18 percent), Army (60 percent), and Air Force (18.5 percent). When you furlough civilian employees in military hospitals and clinics, it seems to me that healthcare for wounded warriors will suffer. Many of the healthcare providers that I saw treating our wounded warriors at Walter Reed were caring, dedicated civilians, not military personnel. DOD has said that it will protect wounded warrior programs from sequestration, but I find this hard to believe if DOD plans indiscriminant civilian furloughs. How will wounded warriors stay on their treatment and rehabilitation plans if you furlough civilian employees that are providing those services?

Secretary CARTER. Wounded Warriors are a priority for the Department and will be protected above all else. In no case will quality of care be compromised. However, the duration and magnitude of a sequestration may adversely impact some of these programs. It may take longer to provide care because staff will not have the same availability during a furlough. We run the risk of losing qualified staff who cannot endure a 20 percent pay cut. Patient frustration will rise. For example, the Integrated Disability Evaluation System (IDES) is heavily staffed with civilian employees. Although it is our intent to develop furlough plans that minimize disruptions, a civilian furlough may affect their ability to provide timely service.

Secretary HALE. Wounded Warrior Programs are a priority for the Department and will be fully protected. If we must, we will make offsetting changes for other patients or we will provide exceptions from furloughs for some of the civilian personnel who staff our hospitals.

General DEMPSEY. Treatment and rehabilitation of wounded warriors remains a top priority. We recognize the differences in civilian staffing between Services and between facilities, and therefore understand that the effects of sequestration will differ between each Service and facility. As such, we will advocate for joint coordination of medical resources as necessary to allow Services to share resources between each other. However, mitigating the impact of sequestration on our wounded warriors will impact our other beneficiary populations through decreased access to Military Treatment Facility care, and will increase TRICARE costs as we utilize its network to maintain benefit delivery despite any resource losses.

General ODIERNO. It is absolutely true the Army Medical Department relies on civilian employees for our workforce more than our Sister Services. A strategy which relies on an across the board furlough to meet sequestration cuts rather than targeted programmatic or structural reforms disproportionately hurts the Army. Despite this reality, Army Medicine remains committed to healing our wounded warriors and will not break that trust. The Army Surgeon General's guidance to our Army treatment facilities is to internally realign staff to cover civilian absences in our most critical programs, to include Warrior Care, behavioral health, and the Integrated Disability Evaluation System. For continuity of care, we endeavor to maintain warrior care in our direct care system clinics and ancillary services. We also will exercise our options to refer warriors to our partners in the Managed Care Support Contract network when it is appropriate. However, it is likely that significant second order impacts will be felt by soldiers and family members when we re-align services and staff to continue Wounded Warrior care.

Admiral FERGUSON. The impact of sequestration will be felt throughout the Navy, including Navy Medicine. We recognize that any potentially directed furlough of civilian employees will have some impact on health care services at our medical treatment facilities. We will continue to carefully assess mitigation strategies to mini-

mize impact on all our beneficiaries; however, care for our wounded warriors will remain our highest priority.

We will ensure continued care to wounded warriors as they are identified in the patient population through the case management programs and specialty care treatment they receive. If furlough occurs, we will be able to carefully track our wounded warriors and ensure their continuum of care is uninterrupted. In the event of furlough, Navy medicine is prepared to shift military assets as required to ensure uninterrupted care to wounded warriors and their families. This action, however, may require Navy medicine to divert non-wounded warrior patient care to the private sector network.

General AMOS. The impact of sequestration will be felt throughout the Navy and Marine Corps, including Navy Medicine. Our wounded and injured marines receive outstanding care through Navy medical treatment facilities. Civilian health care providers are important to the Navy Medicine workforce and the capability to deliver services to beneficiaries. The Navy BUMED recognizes that any potentially directed furlough of civilian employees will have some impact on health care services at medical treatment facilities. Navy Medicine plans to maintain the continuum of care via the clinical case managers who have established care plans for our wounded warriors. These plans include shifting military assets to address those needs as required. BUMED acknowledges this action, however, may require Navy Medicine to divert non-wounded warrior patient care to the private sector network. The Marine Corps provides non-clinical support for our wounded warriors through the Wounded Warrior Regiment. Although DOD guidance states wounded warrior programs are protected, should the Wounded Warrior Regiment ultimately be impacted by furloughs, we will mitigate risk by staggering civilian furloughs associated with sequestration, whereby there would be reduced instances that would allow for a wounded warrior service or support mechanism to cease operation. A sufficient number of multi-disciplinary team members would remain available for care coordination actions in support of individual wounded, ill, and injured marines. Operation under this scenario, while allowing services to continue, is not sustainable over time as there is high potential that compromised staffing will eventually lead to the delayed delivery of services (i.e., transition support, therapy and reconditioning, and administration support).

General WELSH. Only 24-hour inpatient or emergency service care providers are excepted from furlough. Care providers serving wounded warriors, in addition to regular case loads, are subject to furlough. However, we expect medical facility leadership to staff their units to best serve their patients with the least disruption to patient care. 80 percent of our non-medical wounded warrior care is provided through protected contracts (Recovery Care Coordinators and non-clinical case managers). The 20 percent of civilian case managers subject to furlough will continue to provide coverage through adjusted work schedules.

General GRASS. Our post-mobilization behavioral healthcare for our National Guard warriors, once they return home to their communities, is coordinated entirely on a contracted basis and is therefore not directly impacted by civilian furloughs. We will ensure that our wounded warriors stay on their behavioral treatment and rehabilitation plans by continuing to fund these contracted services from our same O&M accounts that provide for National Guard equipment and personnel readiness.

147. Senator INHOFE. Secretary Carter, Secretary Hale, General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, how will you ensure that wounded warriors will not suffer under sequestration?

Secretary CARTER. Wounded Warriors are a priority for the Department and will be protected above all else. In no case will quality of care be compromised. However, the duration and magnitude of a sequestration may adversely impact some of the Wounded Warrior programs. It may take longer to provide care because staff will not have the same availability during a furlough. We run the risk of losing qualified staff who cannot endure a 20 percent pay cut. Patient frustration will rise. For example, the Integrated Disability Evaluation System (IDES) is heavily staffed with civilian employees. Although it is our intent to develop furlough plans that minimize disruptions, a civilian furlough may affect their ability to provide timely service.

Secretary HALE. Wounded Warrior Programs are a priority for the Department and will be fully protected. If we must, we will make offsetting changes for other patients or we will provide exceptions from furloughs for some of the civilian personnel who staff our hospitals.

General DEMPSEY. We remain committed to our wounded warriors and will not break that trust. We recognize the differences in civilian staffing among military departments and among facilities, and therefore understand that the effects of sequestration will differ between each military department and facility. As such, we will

support the military departments' and OSD's efforts to mitigate to effects of sequestration on the systems that care for wounded warriors, and will advocate for joint coordination of medical resources as necessary to allow cross-leveling of resources between facilities and between Services. However, mitigating the impact of sequestration on our wounded warriors will impact our other beneficiary populations through decreased access to Military Treatment Facility care, and will increase TRICARE costs as we utilize its network to maintain benefit delivery despite any resource losses.

General ODIERNO. Army Medicine remains committed to healing our wounded warriors and will not break that trust. The Warrior Transition Command provides oversight, direction, and advocates for wounded, ill, and injured soldiers, veterans, and their families. This ensures standardization of staffing ratios and processes to deliver quality and priority access. The Secretary of the Army's guidance for fiscal uncertainty protects Wounded Warrior programs. Furthermore, The Surgeon General's guidance to our commanders is to internally realign staff to cover any gaps caused by civilian absences for our most critical programs to include all warrior care, behavioral health, and the Integrated Disability Evaluation System. For continuity of care, we endeavor to maintain warrior care in our direct care system clinics and ancillary services. We also will exercise our options to refer warriors to our partners in the Managed Care Support Contract network when it is appropriate. However, it is likely that significant second order effects will be felt by soldiers and family members when we realign services and staff to continue wounded warrior care.

Admiral FERGUSON. The impact of sequestration will be felt throughout the Navy, including Navy Medicine. We recognize that any potentially directed furlough of civilian employees will have some impact on health care services at our medical treatment facilities. We will continue to carefully assess mitigation strategies to minimize impact on all our beneficiaries; however, care for our wounded warriors will remain our highest priority.

We will ensure continued care to wounded warriors as they are identified in the patient population through the case management programs and specialty care treatment they receive. If furlough occurs, we will be able to carefully track our wounded warriors and ensure their continuum of care is uninterrupted. In the event of furlough, Navy Medicine is prepared to shift military assets as required to ensure uninterrupted care to wounded warriors and their families. This action, however, may require Navy Medicine to review other treatment options for non-wounded warrior patient care such as referral to the private sector network.

General AMOS. The Marine Corps will continue to maintain its stance that keeping faith with our wounded warriors is a top priority. Wounded Warrior Programs, under their protected status (as indicated by DOD's statement that limitations on sequestration include the protection of wounded warrior programs), would not be impacted. However, a pragmatic view of this fiscal crisis indicates that the responsibility to care for wounded warriors could eventually be placed at risk. A risk mitigation strategy would be to manage civilian furlough schedules. Operations under this scenario, while allowing services to continue, are not sustainable over time as there is high potential that compromised staffing will eventually lead to the delayed delivery of services (i.e., transition support, therapy and reconditioning, and administration support).

General WELSH. It is Air Force policy that all wounded warrior programs will be protected from the effects of sequestration. 80 percent of our non-medical care is provided through protected contracts (Recovery Care Coordinators and non-clinical case managers). The 20 percent of civilian case managers subject to furlough will continue to provide coverage through adjusted work schedules.

General GRASS. Many of our wounded warriors are Military Technicians. The last thing that we want to have happen to them is to welcome them home from deployment and, once they've recuperated from their injuries, advise them that they've been furloughed from their Military Technician positions. The National Guard Bureau will continue to work with the Department and Congress to ensure that sequestration does not disproportionately impact our wounded warriors.

IMPACT TO HOMELAND SECURITY

148. Senator INHOFE. General Grass, every day the Nation's governors rely on the National Guard to respond to emergencies and disasters as the primary military force for Federal domestic contingency response. I have been told that under sequestration, your equipment resets for redeploying Army National Guard units will cease, affecting equipment availability and readiness for 8 National Guard BCTs

and 450 separate Army National Guard units for use in their domestic missions. Can you tell me how sequestration will impact the Guard's ability to quickly and effectively respond to natural disasters like Hurricane Sandy or other major domestic events?

General GRASS. The Army and Air National Guard will experience significant impacts if sequestration actions are fully implemented. Disrupting, delaying and cancelling contracts to maintain our equipment immediately impacts our readiness for domestic as well as combat deployments. This forces States to request and source capabilities from more States, thereby increasing movement costs and slowing our response efforts. It will take longer for the military to support civil authorities in meeting the urgent needs of Americans suffering through the turmoil of a natural disaster like Hurricane Sandy. Our inability to properly train and equip our National Guard formations also impacts our ability to support civil authorities for a large-scale or catastrophic domestic incident such as an earthquake or major hurricane.

149. Senator INHOFE. General Grass, over the last decade the National Guard has been a vital operational force, indistinguishable from the Active component. How will sequestration affect the National Guard's ability to maintain itself as an operational force and contribute to contingency operations overseas?

General GRASS. Sequestration will significantly degrade the National Guard's ability to maintain a truly operational force, able to rapidly contribute to contingency operations both domestically and overseas. Further, if sequestration is executed in accordance with the current law, it will have a significant effect on training opportunities, equipment, and personnel readiness, which will have a negative impact on the National Guard as an operational force. Clearly, this is something we all want to avoid; it would be extremely bad for the country, both at home and abroad. While more cuts in defense spending are inevitable, appropriate as we end combat operations after two wars, and even desirable (to the extent these cuts help the country return to a better financial footing), sequestration is not the right way to make these cuts. If the defense budget faces further significant reductions, I advocate these cuts be made more gradually and with greater programmatic flexibility.

150. Senator INHOFE. General Grass, how would the readiness of the National Guard be impacted by the potential furlough of your military technicians?

General GRASS. Our military technicians in the National Guard comprise the majority of mechanics who ensure our equipment is operational for domestic missions here at home as well overseas missions supporting the combatant commanders. They also support key logistics, intelligence, contracting and health care functions. National Guard Military Technicians typically occupy critical military positions in deployable units as a condition of their Federal employment and therefore would impact readiness of the units to which they are assigned.

151. Senator INHOFE. General Grass, additionally, how will these potential furloughs impact communities across our Nation?

General GRASS. The National Guard is the hometown force and first military responder for 3,000 communities across the country. The direct economic impacts of furloughs will be felt in smaller communities, the most noteworthy impact to all our communities will be the National Guard equipment degradations and response times caused by the furloughs of Military Technicians that maintain our equipment for first response to CBRN events, natural disasters, and other urgent needs of State and local authorities. The longer sequestration continues the more degraded response times will become. Degraded response times to CBRN or natural disasters will lead to more American lives lost.

BURN RATE ON FUNDS FOR OVERSEAS CONTINGENCY OPERATIONS

152. Senator INHOFE. Secretary Hale, on top of the budget crisis DOD currently faces, I am aware that the amount provided to you this year of $88.5 billion for OCO may not be sufficient to maintain combat forces through the fiscal year at the current rate of expenditure. Can you estimate at the current burn rate what additional funds will be required?

Secretary HALE. The Department will ensure there is sufficient funding to maintain our deployed combat forces at all costs. Based on the current burn rate and troop levels, additional funds will be required in the O&M accounts, where there is at least a $5 to $6 billion shortfall due to higher than anticipated costs for transportation, base operations, flying hours and other emerging requirements. These

shortfalls could be fixed in appropriations legislation or an extended Continuing Resolution. Otherwise they must be mitigated by reprogramming funding from other less urgent OCO requirements such as equipment reset which can be delayed, and by reprioritizing base funding as necessary, to meet warfighter needs. Further analysis is ongoing in light of the recent announcement of troop withdrawals where the schedule of the withdrawals during fiscal year 2013, if any, will likely impact the current cost estimates.

153. Senator INHOFE. Secretary Hale, what costs or new requirements are exceeding the President's budget request?

Secretary HALE. At this time, the Department estimates at least a $5 to $6 billion shortfall in the Army, Navy and Air Force O&M accounts associated with unanticipated OCO requirements. The Army has a roughly $3 to $4 billion shortfall, possibly more, primarily due to higher than anticipated operations costs and also higher transportation costs resulting from the previous closure of the Pakistan ground lines of communication. Although the supply route is open, the cargo is not moving at the pace needed so equipment and other support items must be flown in and out at a much higher cost. The Air Force is also experiencing O&M shortfalls, about $2 billion, due to increased flying hours, airlift, base operations and communications supporting flight operations at a level greater than expected. The Navy estimates a $700 million O&M shortfall due to extended presence and emergent ship repairs (USS *Porter*) that were not budgeted in the fiscal year 2013 OCO budget request. Depending on the timing of the recently announced troop withdrawals, and the associated costs of equipment removal, the O&M shortfalls may be adjusted up or down.

154. Senator INHOFE. Secretary Hale, if sequestration takes place, where do you expect to find the funding?

Secretary HALE. If sequestration occurs, OCO funding will be reduced. However, the Department will make disproportionately larger reductions in other areas to minimize such reductions and protect funding for our warfighters and fully support their efforts. Where there are shortfalls in the OCO budget, the Department will reprioritize or delay equipment reset schedules and purchases, or use base funding to support more urgent warfighting requirements and will ask Congress to allow the reprogramming of funds as necessary.

155. Senator INHOFE. Secretary Hale, given this additional shortage of funds and the prospect of sequestration, is there a potential that our warfighters in Afghanistan, the Middle East, and Africa may not be able to get the equipment and resources they need?

Secretary HALE. Even under sequestration, the Department will ensure that warfighters in Afghanistan, the Middle East, and Africa will be able to get the equipment and resources they need. Fully supporting our deployed warfighters is our top priority and the Department will use all means, including reprogramming and reprioritizing other funding, to keep that commitment. But under sequestration we cannot guarantee that same level of support should a future contingency arise.

REBALANCE TOWARD THE ASIA-PACIFIC REGION

156. Senator INHOFE. General Dempsey, the January 2012 DSG says "we will of necessity rebalance toward the Asia-Pacific region" and further that in Africa and Latin America "Whenever possible, we develop innovative, low-cost, and small-footprint approaches to achieve our security objectives, relying on exercises, rotational presence, and advisory capabilities." The administration's announcement of rebalancing our military strategy significantly raised expectations of allies and partners in the Asia-Pacific region. Will sequestration reduce rather than increase our presence, engagement, and partnership building capacity in the Pacific?

General DEMPSEY. Sequestration will squeeze our ability to follow through on the rebalance while maintaining other commitments around the world. Our ability to execute the DSG relies upon a smaller force that capitalizes and depends upon 21st century advancements that make small footprint rotational forces highly effective, attentive, and impactful. This approach reassures partners and allies in the region while being sensitive to their needs and limitations, and also enables us to uphold our commitments and leadership role in the rest of the world. Sequestration will force us to relook how we execute the rebalance, in addition to the DSG.

157. Senator INHOFE. General Dempsey, if we reduce rather than increase our presence in the Pacific, what will that do to our alliances and partnerships in the region?

General DEMPSEY. All nations in the Asia-Pacific are analyzing what we say here today, and what we do in the region, and are making judgments regarding the reliability of their partnerships and security. Following through on the rebalance means focusing attention to the region, engaging with our partners and allies, and bringing the highest quality capabilities; failure to do so will diminish our ability to shape the region and ensure the continued stability that has fostered unparalleled economic development in the region, and economic immense prosperity here at home.

158. Senator INHOFE. General Dempsey, does the growing terrorist threat and the lack of ability of our military to intervene in places like Benghazi indicate we are under-resourcing our counterterrorism efforts in Northern Africa?

General DEMPSEY. The U.S. military resources our counterterrorism efforts in Northern Africa with an amount of personnel and equipment balanced against known credible terrorist threats, host nation capacity, U.S. Government access, and available intelligence.

159. Senator INHOFE. General Dempsey, does an event like Benghazi, where our military was not postured to have adequate reach to intervene in a timely manner, demonstrate the kind of strategic risk we are accepting by under-resourcing theaters outside of the Middle East and Pacific?

General DEMPSEY. We are constantly adjusting our finite resources in order to best align with global requirements with strategic risk. With regard to another Benghazi-like attack, we will continue to work with the Department of State to assess and take action where necessary to improve security arrangements for diplomatic facilities.

DEFENSE BUDGET CUTS IN THE BUDGET CONTROL ACT

160. Senator INHOFE. Secretary Carter, I have consistently heard leadership in DOD refer to the proposed reduction of defense budgets by $487 billion over the next 10 years as being "mandated" by the Budget Control Act (BCA) of 2011. This is even a quote in the written statement of the Chairman of the Joint Chiefs of Staff for this hearing. Now, I am well aware that part three of the BCA specifically establishes reduced funding caps on defense funds and then directs the sequestration of $492 billion over 10 years. But the spending caps imposed by Part 1 were to be applied to all Federal discretionary accounts after 2013 in order to achieve a total of $917 billion over 10 years. The administration responded with pass-back guidance from OMB in November 2011 to reduce defense accounts by $487 billion. Do you agree that the President has the flexibility from fiscal year 2014 forward to determine priorities and adjust budget numbers for each Federal agency within those caps in future budget submissions?

Secretary CARTER. The President has some flexibility to adjust budgets in fiscal year 2015 forward. The American Taxpayer Relief Act of 2012 establishes specific limits for security and nonsecurity spending in fiscal year 2014, reducing flexibility in that year. Moreover, any adjustments in fiscal year 2015 and forward would need to account for the possibility of specific sequestration reductions required by the BCA.

161. Senator INHOFE. Secretary Carter, since there is no $487 billion mandate in part 1 of the BCA, can you explain how that number was determined?

Secretary CARTER. OMB provided topline guidance. In the government-wide reductions to planned discretionary spending required to comply with the BCA, DOD maintained roughly the same percentage of discretionary budget authority through fiscal year 2021 that was established in fiscal year 2013 by the BCA and extended into fiscal year 2014 by the American Taxpayer Relief Act.

162. Senator INHOFE. Secretary Carter, aside from sequestration, why does DOD continue to assert a mandate for defense accounts in the BCA?

Secretary CARTER. The BCA mandated a significant reduction in discretionary spending. The specific spending limits in fiscal year 2013, their extension into fiscal year 2014 by the American Taxpayer Relief Act, and revised the annual limits through fiscal year 2021 which establish the Joint Committee Sequestration process all contribute to the pressure for downward adjustments in Federal discretionary funding.

163. Senator INHOFE. Secretary Carter, in your opinion, does DOD have the flexibility to advocate to the President for a decrease in the $487 billion reduction to defense budgets if our military leaders determine a significant adverse impact to national security?

Secretary CARTER. The Department will always provide the President with its best advice on the funding required to carry out the assigned missions.

IMPACT OF SEQUESTER ON OPERATION AND MAINTENANCE

164. Senator INHOFE. General Dempsey, General Odierno, Admiral Ferguson, General Amos, and General Welsh, overall, sequestration in fiscal year 2013 will result in a $46 billion reduction, but as we all know, the impact on our military goes well beyond $46 billion. For example, of that $46 billion, $13 billion will be axed from O&M accounts. But as I understand it, that $13 billion cut will be exacerbated by an additional $5 billion cut to protect ongoing operations in Afghanistan, and is already $11 billion below the level required because DOD has yet to receive a fiscal year 2013 appropriation. Once you account for other unfunded or higher than anticipated execution issues, in O&M alone, DOD as a result of sequestration and the CR will be $35 billion in the red, a deficit that cannot be absorbed in 7 months without taking dramatic and unprecedented actions. Please provide specific examples of how this shortfall in O&M will impact your respective Service.

General DEMPSEY. I defer to the Service Chiefs to provide specific examples of shortfalls in O&M dollars.

General ODIERNO. Sequestration and CR effects on the O&M accounts directly impact fiscal year 2013 readiness and create a training backlog to regain proficiency that would last into fiscal year 2014 and beyond. In order to support the direct war effort in Afghanistan, the Army will reduce readiness in 80 percent of our BCTs—including the cancellation of four brigade combat team training center rotations. Flying hours will be reduced and nondeploying aviation units will not maintain their aircrew proficiency. This reduction in readiness will create a training backlog for aviation and intelligence military occupational specialties. The Army will potentially furlough up to 251,000 Army civilians for up to 22 discontinuous workdays.

There will be no new depot maintenance orders issued beyond March, which will affect six combat divisions and ancillary units in Alaska, Colorado, Georgia, Hawaii, Kentucky, Louisiana, New York, and North Carolina, and will result in the release of nearly 5,000 depot temporary, term, contract, and permanent employees. The reduction in workload at the depots will affect nearly 3,000 Companies putting 366 at high risk and 742 at medium risk of bankruptcy. Moreover, Second Destination Transportation shortfalls will create a potential backlog of 3 plus years.

The Army will be forced to reduce support for soldier and family programs. The Army will not be able to meet Sexual Harassment/Assault Response and Preventionprogram goals. There will be a significant decrease to the Yellow Ribbon Program, Soldier Family Assistance Centers, and the Army Substance Abuse Program.

Installations operations are at risk. The Army will reduce facilities sustainment by 70 percent, servicing only life, health, and safety requirements. All restoration and modernization projects will be cancelled, which will critically affect the West Point Cadet Barracks. All energy and environmental projects will be stopped, and European transformation projects postponed.

Admiral FERGUSON. Sequestration and the CR will render Navy unable to continue current and anticipated level of operations, compel Navy to cancel some maintenance and training, and constrain Navy's ability to invest in future capability and capacity. Some specific examples include:

- Cancel the majority of ship maintenance in private shipyards and all aircraft maintenance scheduled in the third and fourth quarters of fiscal year 2013; this affects up to 25 ships and 327 aircraft, and eliminates critical ship and aircraft repairs, adding to an existing maintenance backlog generated by a decade of high operations tempo.
- Reduce by about one-third the number of days at sea and hours of flight operations for ships and aircraft permanently stationed in the Asia-Pacific; cancel all aircraft deployments and four of six ship deployments to the region.
- Reduce by half the number of days at sea and by one-quarter the hours of flight operations for ships and aircraft in the Middle East and Arabian Gulf; reduce carrier presence in the Arabian Gulf to one (the request is two carriers).

• Stop training and certification for CSGs except for the one next to deploy to the Middle East/Arabian Gulf. There will be only one additional or "surge" CSG certified for Major Combat Operations in fiscal year 2013 and throughout fiscal year 2014 (down from almost three on average).
• Cancel most nondeployed operations including exercises, pre-deployment certification, and all port visits in the continental United States. As a result, the number of ships available for homeland defense will be reduced, and it will take 9 to 12 months for ships that were not preparing to deploy to regain certification for Major Combat Operations.
• Implement an across the board hiring freeze, impacting approximately 1,000 vacancies. Navy's attrition rate over the last 3 years is approximately 18,000/year (350/week).
• Navy will follow the administration's guidance regarding civilian furloughs. Navy may have to furlough up to 186,000 civilians who will lose 20 percent of their pay if furloughed for 22 days.

On top of reductions in O&M funding, sequestration will reduce fiscal year 2013 funding for each investment program (about $7.2 billion overall).

General AMOS. The impact of shortfalls in O&M funding will have a severe impact on the Marine Corps in both the short term and the long-term. Because of our special role as America's crisis response force, the Marine Corps places a high premium on readiness, and we have made every effort to protect our forward deployed forces from the impact of these budget cuts. However, this has come at a cost to our crisis response units at home station, and as the full impact of sequestration is realized, we will see an exponential degradation of readiness that will ultimately affect every aspect of Marine Corps operations.

Under the current continuing resolution, I have been able to ensure the readiness of our deploying units, but only by decrementing the long-term readiness of the total force. Our forward deployed marines and our marines engaged in combat operations in Afghanistan will continue to be our top priority, and we will also work to ensure that our units preparing to deploy have what they need. However, due to $1.2 billion in CR and sequestration-induced cuts to O&M and over $500 million in new requirements in fiscal year 2013 alone, this readiness will come at the expense of our units at home station, our families, and our crisis response capacity.

For example, we have already slowed our efforts to rebalance to the Pacific, and should sequestration go into effect, we will be forced to significantly curtail our plans for shifting additional forces into this region. While we have resumed our UDP to Okinawa, Japan, we currently have insufficient funding for the latest deployed battalion to return from deployment on time. Additionally, aviation units required to support this increase in ground combat capability will be unable to deploy. This will reduce the Nation's forward presence, and limit our ability to interact with our partners and allies in the PACOM area of operations. Our absence will create gaps in forward presence, slow crisis response times, and reduce our ability to conduct theater security cooperation by over 30 percent. We will be less capable to respond to natural disasters such as Operation Tomodachi, typhoons in the Phillipines, or floods in Thailand, and participate in Joint and combined exercises. Our absence will create a void that will quickly be filled by others. In the Asia-Pacific region, this could very likely be China, as ASEAN nations will likely interpret our absence as a lack of commitment to the region and will thus seek to form bilateral partnerships with China in order to hedge against China's rising power in the region.

Additionally, the Continuing Resolution has already had a significant impact to the readiness of our home station units, and sequestration will only serve to exacerbate this problem. Further, as the full 9-year impact of sequestration is realized, this erosion of home station/crisis response forces will worsen and will certainly begin to affect our "next to deploy" units. Despite the constrained funding resulting from the CR and sequestration, in the next 6 months we will be able to continue meeting Marine Corps deployed warfighting needs and the training of next-to-deploy forces. Between 6 and 12 months, however, we'll continue to decrement readiness accounts with ever increasing erosion of home station unit readiness and force modernization, and begin to show small impacts in next-to-deploy forces. Beyond 12 months we will see a real impact to all home station units (e.g. fixed wing squadrons will have on average only 5 of 12 assigned aircraft on the ramp due to aviation depot shutdowns) and the beginning of impacts to our next-to-deploy and some deployed forces—in all a slide to a hollow force we have fought so hard to avoid. Our MEFs will be forced to postpone or cancel preventive maintenance and selectively replace replacement equipment with reduced readiness in the last half of 2013, with a ripple effect on training, negatively impacting readiness. We predict over 55 percent of USMC forces (ground combat, logistics, and combat support) will have unsat-

isfactory readiness ratings, which will have a dramatic impact to respond to crises outside of Afghanistan when called upon by the Nation.

In partnership with the Navy, we will cancel third and fourth quarter inductions of aircraft into depot maintenance cycles parking over 80 aircraft awaiting critical maintenance. Our forward deployed squadrons will have what they need, but our next to deploy squadrons will begin to experience reduced aircraft availability, which means our pilots will not get the training they require in order to maintain currency and proficiency in their respective aircraft. For example in the F–18 squadrons, by January 2014, the Marine Corps will still be able to source the required aircraft to meet operational commitments, but the squadrons that are preparing to deploy will only have 5 of the 12 aircraft that compose a squadron available for training. Additionally, each of the pilots in those squadrons preparing to deploy would complete approximately 7 hours of training per month when the minimum deployable readiness requires approximately 17 hours per month. For the individual aircrew, this equates to greater personal risk due to less experience—for the Nation, it means we will respond with less ready forces, and we will pay a price in terms of lives and equipment.

Depot maintenance will be reduced to 27 percent of our baseline requirement, delaying our ability to reset war torn equipment for a period of 18 months or greater; this will reduce the readiness of nondeployed forces in both the near and long term, and means we will not be able to accomplish our planned reset of equipment returning from Operation Enduring Freedom. Accordingly, the Marine Corps will not be able to reconstitute a ready force by 2017 as originally planned. Further, we will not have the funds to work down a backlog of equipment returning from 11 years of combat, and we will have to lay off many of our skilled workers and artisans who are the key to revitalizing equipment at our Depots. Even if funding were to be restored at some point in the future, we will not be able to reconstitute this labor force quickly or regain the expertise that can only be developed over time.

Under the cuts imposed by sequestration, we will have to reduce our civilian workforce which will further chip away at our readiness. Our civilian marines make a significant contribution in all aspects of Marine Corps operations, from family readiness to maintenance to command and control and intelligence operations. We expect we will have to eliminate thousands of positions across the Marine Corps in order to meet the budget reductions mandated by sequestration, and as such, the services that our marines and their families rely upon will also be reduced or eliminated. We expect that we will have to cut or curtail many family readiness programs to include eliminating paid family readiness officers in some units, cutting teen and youth programs, and closing morale, welfare, and recreation facilities. This will have an adverse impact on our families at home station and will adversely affect their personal readiness when spouses and parents leave their families in order to execute routine deployments or respond to crisis.

The cuts imposed as part of an annualized continuing resolution and sequestration result in a $1.2 billion reduction to O&M in fiscal year 2013 alone, and does not address the additional requirements levied as a result of the current Defense Strategic Guidance and the security situation around the globe. The Marine Corps prides itself on being a frugal service that asks only for what it needs and not what it wants. Any cut to our $10 billion O&M budget will entail risk; a cut of $1.2 billion will immediately affect every aspect of Marine Corps operations and readiness. The long term cuts associated with sequestration will erode readiness, limit crisis response capacity, and adversely affect our Active and Reserve marines, our civilian marines, and their families.

General WELSH. If sequestration occurs, there would be no way to spare readiness accounts. Flying hours and weapons system sustainment would be reduced by 18 percent. There would be no support for most combatant command requirements, exercises, or advanced training. The Air Force would also furlough approximately 180,000 civilians for 22 days, restricting access to institutional knowledge. There would also be adverse and irreversible impact to depot workforce impacting approximately 24,000 employees. Reduced command budgets would terminate funding to training ranges, and drive commands to incrementally fund base maintenance and dining facility until funds run out. The majority of combat units will execute home station mission until funds run out which could be as early as mid-May 2013, and will not be ready to meet emergent contingency or operational plans within 60 days of stand down. We estimate it will take up to 6 months for many units to regain current, already sub-optimal readiness level. Readiness recovery will require reduced operations tempo and additional resources above that which would be available in our presequestration fiscal year 2014 budget. Degradation to readiness would be severe.

IMPACT OF CONTINUING RESOLUTION

165. Senator INHOFE. Secretary Hale, I just want to be clear on the impact of a year-long CR to DOD that you seem to lump in there with sequestration. First, DOD has been unfortunately dealing with CRs for many years because Congress can't seem to pass a budget. The problem with the current one is that the O&M accounts are under funded by $11 billion while other defense accounts are overfunded by $16 billion. So you really have more money under a CR than the President requested for fiscal year 2013, but it's just in the wrong place. If Congress extends the CR through the fiscal year, there are certain new requirements that won't be able to get started. To fix these problems, have you submitted you list of proposed anomalies to OMB?

Secretary HALE. We are working with OMB to identify the critical issues which the Department believes must be corrected if we are required to transition from the current continuing resolution to a year-long continuing resolution.

166. Senator INHOFE. Secretary Hale, can we get a specific list of the fixes you have proposed with the response to this question so we can be sure to fix them?

Secretary HALE. We are working with the Services to develop and finalize the anomalies needed to execute our military construction and acquisition programs. When we have completed our assessment, they will be provided to the committee.

REVIEW OF SAME SEX SPOUSE BENEFITS AND IMPACT OF DEFENSE OF MARRIAGE ACT

167. Senator INHOFE. Secretary Carter, Secretary Hale, General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, do you agree that extending benefits to same sex spouses of military members will increase costs and create increased demand for limited resources for all military families during a time when this administration has imposed drastic budget cuts to DOD?

Secretary CARTER. From a fiscal perspective, the benefits that are being extended are of negligible cost and some are cost neutral for self-sustaining such as MWR programs, Commissary and Exchange privileges. I do not believe that the extension of any of these benefits will result in any increase in cost to the Military Services' top line budgets.

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General DEMPSEY. The changes in benefits to same sex spouses allow access to bases and facilities, commissary and exchanges, counseling programs and services. These benefits help our servicemembers at little cost. The proper implementation of this policy will be important to assure benefits are appropriately administered.

General ODIERNO. The DOD Joint Benefits Review Working Group (JBRWG) conducted a cost analysis on each of the benefits that will be extended to same-sex domestic partners of soldiers who have executed a Declaration of Domestic Partnership. The JBRWG determined that any costs resulting from extending these benefits would be minimal.

Admiral FERGUSON. Ensuring that Navy missions are carried out by the best qualified and the most capable servicemembers will always be a priority, regardless of gender, regardless of creed and beliefs, and regardless of this budget constrained environment. Actual costs cannot be fully determined until Navy's implementation plan is submitted and approved by OSD. Navy is required to submit this plan in April 2013. We anticipate some cost associated with developing and providing training to installation leadership and benefit providers, to include all Navy Personnel Support Detachments.

We do anticipate significant additional costs associated with extending additional benefits to same-sex domestic partners, and where applicable, children of same-sex domestic partners. Examples of these additional benefits, in addition to increased BAH and other related pay and allowances, include:

- Dependent ID cards
- Commissary/Exchange Privileges
- Morale, Welfare, and Recreation Programs
- Youth Programs
- Family Center Programs
- Sexual Assault Counseling Program
- Child Care

• Legal Assistance

General AMOS. Supporting marines and their families is extremely important to me; this support allows my marines to focus on their missions in support of our Nation. I do not believe we should create separate classes of marines—we only have one type of marine; a U.S. marine. When single marines become married, our Marine Corps family grows—as it does when Marine families add children or, for that matter, add any other dependent. Increasing numbers of dependents, regardless of their orientation or gender, tends to increase family support costs. Budget cuts will, of course, tend to adversely impact our support programs and we are working hard to mitigate those potential adverse impacts.

General WELSH. Yes, extension of benefits will increase costs and place additional demand on resources for military families. However, we believe impacts will be manageable across our installations. Within our Total Force, including retirees, RAND estimates approximately 4,800 same-sex partners (~3.7 percent) based on application of general population estimates to our active duty and retiree population, a comparatively small percentage of our total population eligible for benefits. In addition, since medical benefits and housing allowances are not included in the current set of benefits to be extended, the actual costs should be relatively low at this time. Demand for child care, youth programs, legal assistance, MWR programs, et cetera—each of these programs could be impacted by increased requirements, further straining resources that are already constrained. However, we will do everything within our capability to take care of all airmen with our available resources and in accordance with existing law.

General GRASS. Yes, extension of benefits will increase costs and place additional demand on resources for military families. However, the DOD JBRWG conducted a cost analysis on each of the benefits that will be extended to same-sex domestic partners of soldiers who have executed a Declaration of Domestic Partnership. The JBRWG determined that any costs resulting from extending these benefits would be minimal.

168. Senator INHOFE. Secretary Carter, Secretary Hale, General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, do you agree that extending benefits to same sex spouses is currently prohibited by the Defense of Marriage Act (DOMA)?

Secretary CARTER. When a statute limits eligibility for a benefit to a spouse, the Department applies the definition of spouse established in DOMA: a person of the opposite sex who is a husband or wife. A same sex partner is not a spouse, and would not be eligible for that benefit. For benefits established by statutes that do not limit eligibility to spouses, the Department reviews the eligible categories established in the statute to determine whether same-sex partners would be eligible. Finally, for benefits established by DOD policy, the Department has authority to establish eligibility categories, including a category for same-sex partners.

Secretary HALE. When a statute limits eligibility for a benefit to a spouse, the Department applies the definition of spouse established in DOMA: a person of the opposite sex who is a husband or wife. A same-sex partner is not a spouse, and would not be eligible for that benefit. For benefits established by statutes that do not limit eligibility to spouses, the Department reviews the eligible categories established in the statute to determine whether same-sex partners would be eligible. Finally, for benefits established by DOD policy, the Department has complete authority to establish eligibility categories, including a category for same-sex partners.

General DEMPSEY. There are several benefits currently prohibited by the DOMA. For example, DOMA prevents the extension of BAH for housing at the "with dependents" rate, Cost of Living Allowance at the "with dependents" rate, dental care, and medical care to include eligibility for TRICARE. The Department examined the remaining benefits, such as the ones listed in attachment 2 of the Secretary's 11 Feb memorandum, from a policy, fiscal, legal, and feasibility perspective, and determined these benefits could be provided without violating DOMA.

General ODIERNO. While DOMA does preclude the extension of some benefits to same-sex domestic partner of soldiers, to the best of my knowledge the benefits that will be extended to same-sex domestic partner are not prohibited by the DOMA.

Admiral FERGUSON. As reflected in the Secretary of Defense's recent guidance, selected benefits can and have been legally extended to same sex couples. The Office of the Secretary of Defense has determined in this policy that eligibility for other benefits—those based on a marital or spousal relationship—cannot be made available to same sex partners of military members due to current law.

General AMOS. Supporting marines and their families is extremely important to me; this allows my marines to focus on their missions in support of our Nation. My understanding is that under the law, for the purpose of any ruling, regulation, or

interpretations of various bureaus and agencies, the word "marriage'" means only the union of one man and one woman as husband and wife, and the word "spouse" refers only to a person of the opposite sex who is a husband or wife. There are some benefits that hinge on the use of these terms, such as access to housing and healthcare, and other benefits that do not, such as designation of life insurance beneficiaries.

General WELSH. DOMA states "In determining the meaning of any Act of Congress, or of any ruling, regulation, or interpretation of the various administrative bureaus and agencies of the United States, the word 'marriage' means only a legal union between one man and one woman as husband and wife, and the word 'spouse' refers only to a person of the opposite sex who is a husband or a wife." DOMA is a definitional statute and must be applied whenever another statute, ruling, regulation etc. uses the term "spouse" or "marriage." With regards to benefit eligibility, some statutory benefits (ie: medical care, basic allowance for housing) define eligibility by explicitly using the terms "spouse" or "marriage." These benefits would fall within the DOMA definition and, therefore, could not be extended to same-sex spouses. Other statutory benefits (ie: commissary, exchange) do not define eligibility by explicitly using the term "spouse" or "marriage." Eligibility for these benefits would not be precluded by DOMA, and therefore, these benefits could be extended to same-sex spouses as a matter of policy.

General GRASS. I respectfully defer this question to the acting General Counsel of DOD.

169. Senator INHOFE. Secretary Carter, Secretary Hale, General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, do you support the administration's decision to not defend suits in Federal courts, challenging the constitutionality of DOMA?

Secretary CARTER. On February 23, 2011, the Attorney General announced that the President had concluded section 3 of DOMA, as applied to legally married same-sex couples, is unconstitutional. Consequently, the Attorney General also announced the Department of Justice would not defend the constitutionality of section 3 as applied to same-sex married couples. Finally, the Attorney General stated that the executive branch would continue to enforce section 3. DOD has continued to enforce section 3 of DOMA. I support the President's conclusion and the related actions by the Department of Justice and DOD.

Secretary HALE. On February 23, 2011, the Attorney General announced that the President had concluded section 3 of DOMA, as applied to legally married same-sex couples, is unconstitutional. Consequently, the Attorney General also announced the Department of Justice would not defend the constitutionality of section 3 as applied to same-sex married couples. Finally, the Attorney General stated that the executive branch would continue to enforce section 3. DOD has continued to enforce section 3 of DOMA. I support the President's conclusion and the related actions by the Department of Justice and DOD.

General DEMPSEY. "The decision to not defend lawsuits in Federal courts, to include those challenging the constitutionality of the DOMA, is a decision made by the President with advice from the Attorney General."

General ODIERNO. There has not been a lawsuit filed against the Army challenging section 3 of DOMA. As always, the Army defers to the Department of Justice on the constitutionality and interpretation of DOMA.

Admiral FERGUSON. As required by statute, the Department of the Navy will carry out the lawful orders of our elected civilian leadership. Per the direction of the President as reflected in the Attorney General's letter of February 23, 2011, the Navy will continue to comply with section 3 of DOMA, unless and until Congress repeals section 3 or the judicial branch renders a definitive verdict against the law's constitutionality.

General AMOS. The decision whether to defend certain legal cases in the Court system is not within my purview as a Service Chief. Because the constitutionality of DOMA is an issue that has broad impacts across the Federal Government, I believe other agencies within the executive branch are better positioned to provide comment. I understand that DOMA is currently the law, and I will follow the law.

General WELSH. As the Chief of Staff of the Air Force, I am required to follow the laws of the United States. Until directed otherwise, DOMA is the law of the land, and I am obliged to act in a manner consistent with it. Decisions as to the defense of legislation in litigation are within the purview of the Department of Justice. Decisions as to the constitutionality of any act are ultimately for the courts to decide.

General GRASS. Questions regarding the constitutionality and defense of particular statutes are best addressed by the Department of Justice and I would be appropriately guided by their recommendations.

WOMEN IN COMBAT

170. Senator INHOFE. Secretary Carter, Secretary Hale, General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, I am concerned about the potential adverse impacts to readiness resulting from Secretary Panetta's announcement to rescind the 1994 rule that prohibits women from being assigned to smaller ground combat units, and his plan to potentially open more than 230,000 combat positions to women. Women have made incredibly valuable sacrifices in service to their country. One such example is Oklahoman Sarina Butcher who was killed in combat—a position she volunteered for—while serving in Afghanistan for the Oklahoma National Guard. We are forever indebted to her and others like her, who have given their lives in defending our Nation. My concern is DOD is pursuing this major policy change during a time when every branch of the armed services has consistently met recruitment goals, is attracting and retaining high quality of skilled personnel at record rates, and recently requested Congress to provide authority to reduce Army and Marine Corps end strength by 100,000 ground troops over the next 4 years due to high retention rates and drawdown in Afghanistan. What is the compelling national security interest in opening up more positions to women at this time?

Secretary CARTER. The recent policy change was based upon the experiences and feedback of our commanders and service women in combat over the past 10 years. Many commanders noted that Department's gender-based assignment policies precluded them from selecting the best qualified personnel for a given job. As the Services are required to drawdown over 100,000 members in the next 4 years, it is critical the military recruit and retain the best qualified personnel in order to continue to defend our Nation.

Secretary HALE. The recent policy change was based upon the experiences and feedback of our commanders and service women in combat over the past 10 years. Many commanders noted that Department's gender-based assignment policies precluded them from selecting the best qualified personnel for a given job. As the Services are required to drawdown over 100,000 members in the next 4 years, it is critical the military recruit and retain the best qualified personnel in order to continue to defend our Nation.

General DEMPSEY. We must maintain an agile and capable force to meet our national security objectives. I value all of our servicemembers and opening more job opportunities to our female servicemembers only makes us better by increasing the pool of talented individuals the Services have to choose from. We will continue to select the best qualified personnel for every assignment.

General ODIERNO. Over the last decade, thousands of female soldiers have shown great courage and sacrifice; we simply could not accomplish the mission without them. By opening up more positions to women, the Army is opening up opportunity to every qualified soldier regardless of race, creed, or gender. Rescinding the 1994 Direct Ground Combat Assignment Rule expands career opportunities for women and provides a greater pool of highly qualified soldiers to our force as we drawdown. Even though the Army is meeting our recruiting goals, it is critical that we recruit and retain the best qualified soldiers in our All-Volunteer Force. The Army's goal is to ensure the mission is met with the most capable individual for the Army of 2020, regardless of gender.

Admiral FERGUSON. The Navy's goal is to ensure that the mission is met with the best-qualified and most capable personnel. This is fundamentally about getting the best talent available in the Nation to serve in the Navy, regardless of gender. Women continue to serve bravely and honorably at sea and ashore. Approximately 90 percent of Navy's billets are already open to women to include ships, aviation squadrons, and ballistic missile submarines. Drawing from the best available talent increases our ability to maintain readiness and is a critical element in enabling women to serve and advance in the military service.

General AMOS. The decision to rescind the combat exclusion policy has not yet resulted in opening additional positions to women in the Marine Corps. The administration's policy decision provides the Services the ability to focus on the capability requirements for any individual to serve successfully in any unit. The Marine Corps has been on a path for some time to deliberately and methodically study these requirements in an effort to ensure that we are properly focused on capability. The recent change in the combat exclusion policy has not altered or deterred the Marine

Corps from this path. Accordingly, I am confident that any decision we make as a Service pursuant to the ongoing research will, in fact, be based on capability, and will occur only after the required notifications to Congress.

General WELSH. This year marks the 20th anniversary of female combat aviators serving in the Air Force. As we take a deliberate approach to opening up the last 1 percent of our positions to women, our goals are to not only ensure all airmen are given the opportunity to succeed but also to ensure success of our Air Force by preserving unit readiness, cohesion, and morale. We believe these goals are furthered by giving women the opportunity to compete and be recognized for their contributions along with their male peers.

General GRASS. This is about now and the future. The Army Capabilities Integration Center Unified Quest series in early December 2012 concluded the competition between the military and the non-military public and private sectors for the military-eligible population will be so increased by 2030 and 2040, that the military will have trouble filling its ranks. Competition assumptions for this study were based upon growing numbers of Americans battling with obesity, poor physical fitness, disease, lack of education and increased numbers with criminal legal problems will severely lower the qualified candidate pool for Military Service. In light of this increased competition, disqualifying an entire segment of the remaining qualified population seems, to me, to heighten risk from a national security perspective. Furthermore, women must be allowed to rise to a fair, representative level in positions of significant leadership roles in all branches of the military by 2030 and 2040, which takes time. Otherwise, it will be difficult to shape the culture to allow for appropriate rates of retention and recruiting.

171. Senator INHOFE. Secretary Carter, Secretary Hale, General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, what assurance can you provide that decisions to open positions will be based on bona fide military requirements, and will not result in needlessly exposing any American servicemember, men or women, to more risk of death or serious injury, than is absolutely required by military necessity?

Secretary CARTER. The decision considering the assignment of women will follow the Joint Chiefs' guiding principles to ensure:

- The success of our Nation's warfighting forces by preserving unit readiness, cohesion and morale.
- All service men and women are given the opportunity to succeed and are set up for success with viable career paths.
- We retain the trust and confidence of the American people to defend this Nation by promoting policies that maintain the best quality and most qualified people.

In addition, we continue to comply with Public Law 103–160, Section 543, which requires occupational standards be established on a gender-neutral basis, and prevents the Department from changing standards for the purpose of increasing or decreasing the number of women in that occupational career field.

Secretary HALE. The decision considering the assignment of women will follow the Joint Chiefs' guiding principles to ensure:

- The success of our Nation's warfighting forces by preserving unit readiness, cohesion and morale.
- All Service men and women are given the opportunity to succeed and are set up for success with viable career paths.
- We retain the trust and confidence of the American people to defend this Nation by promoting policies that maintain the best quality and most qualified people.

In addition, we continue to comply with Public Law 103–160, section 543, which requires occupational standards be established on a gender-neutral basis, and prevents the Department from changing standards for the purpose of increasing or decreasing the number of women in that occupational career field.

General DEMPSEY. Our female servicemembers have been serving in the combat zones of Iraq and Afghanistan since the beginning of the war and are often exposed to the same dangers as their male counterparts. Anyone serving in combat could be called upon to return fire on the enemy regardless of the unit they are assigned or their gender. The 1994 Direct Ground Combat Definition and Assignment Rule never limited a service woman's proximity to danger. By rescinding the 1994 rule, we only increase the opportunities to assign personnel from our growing talent pool. In doing so, the Joint Chiefs remain committed to ensuring unit readiness and combat effectiveness.

General ODIERNO. As directed by OSD, the Army will use a deliberate, phased approach to open positions in a manner that will integrate women into occupational fields in a climate where they can be successful and flourish, while not sacrificing warfighting capability and maintain the trust of the American People. The Army will establish reasonable standards that will define and help predict success for each Military Occupational Specialty. The Army will:

- Ensure the success of our Nation's warfighting forces by preserving unit readiness, cohesion and morale.
- Ensure our men and women are given the opportunity to succeed and are set up for success with viable career paths.
- Retain the trust and confidence of the American people to defend this Nation by promoting policies that maintain the best quality and most qualified people.
- Validate occupational performance standards, both physical and mental, for all Military Occupational Specialties (MOS), with initial focus specifically on those that remain closed to women and then complete the remaining MOS.
- Ensure mid-grade and senior women enlisted and officers are assigned to commands to ensure future success.

Admiral FERGUSON. Service women are assigned to billets commensurate with their capabilities to the maximum extent practicable and allowable by current DOD policy. We will continue to approach the assignment of women to our platforms to ensure we balance professional opportunity, fiscal constraints, operational readiness, and mission accomplishment.

General AMOS. I am confident that any decision we make as a Service pursuant to the ongoing research will, in fact, be based on capability, and will occur only after the required notifications to Congress. The Marine Corps is focused on the capability requirements for any individual to serve successfully in any unit. The Marine Corps has been on a path for some time to deliberately and methodically study these requirements in an effort to ensure that we are properly focused on capability. The recent change in policy has not altered or deterred the Marine Corps from this path.

General WELSH. The Air Force has been conducting studies of all Battlefield Airmen specialties to ensure all bona fide requirements (occupational, physical fitness) are validated and/or established. These standards will consist of qualitative and quantifiable measures reflecting abilities required for each specialty and will ensure that we do not put anyone, man or woman, into an occupation without an assurance that they have the aptitude and physical ability to adequately perform the mission. We anticipate these studies will conclude by September 2015 (OSD deadline).

General GRASS. The safety and welfare of the men and women in uniform is always an overriding concern to me and the members of the Department. Decisions are not made that would needlessly endanger their lives.

QUESTIONS SUBMITTED BY SENATOR SAXBY CHAMBLISS

ALLIES

172. Senator CHAMBLISS. General Dempsey, during the hearing, you commented on the elevated risk from the effects of sequestration. You stated the mission of DOD is to "deter adversaries and assure allies." China is watching our budget debate closely and is executing a strategic communication strategy to convince our allies in the Asia-Pacific that the United States is not a reliable partner. In the current environment, how do we deter our adversaries and assure our allies?

General DEMPSEY. I stated at my confirmation hearings that there is unquestionably a relationship between U.S. security and current economic conditions. There are clear indications that many nations in the Asia-Pacific, not just China, are watching these debates closely, and will make judgments regarding the endurance and dependability of our rebalance and the efficacy of the United States as the security partner of choice in the region based upon the decisions we make in the near term. Our continued access to the commons in a region that accounts for an ever growing share of world economic traffic is dependent upon the stability that our relationships and capabilities provide. In order to deter our adversaries and assure our allies, we must follow through on our commitments, or accept elevated risk.

DEPOTS

173. Senator CHAMBLISS. General Welsh, sequestration and the possible year-long CR are forcing you to reduce weapons system sustainment by approximately 30 per-

cent. This will result in a reduction of depot workload by at least one third, driving down aircraft availability and mission capability rates which will have an adverse effect long into the future. How will the Air Force manage public-private depot workload?

General WELSH. The Air Force will continue to manage public-private depot workload through its standing processes; e.g, the Depot Source of Repair Process (DSOR) for depot maintenance workload. Although the use of the DSOR process ensures a ready and controlled source of repair for workloads that sustain a "Core" capability for the Air Force, that "core" capability is at risk by the sequestration process. With sequestration and the possible year-long CR, there will be significant implications to both our organic depots and the industrial base. Our current estimate of the reduction to Weapon System Sustainment (WSS) due to sequestration is approximately 18–20 percent. The anticipated reduction has been split 50 percent to WSS and 50 percent to Contactor Logistics Support (CLS), so both public and private depot workloads will be affected.

174. Senator CHAMBLISS. General Welsh, how will the Air Force recover, and at what cost?

General WELSH. The recovery effort must focus on reversing all adverse effects of sequestration to weapon systems, supply chain, and workforce. Full depot workload recovery will likely take more than 5 years. The focus will be on regenerating and reprioritizing workload requirements, hiring/rehiring civilian personnel, and reinvigorating the supply chain. In some cases, we will need contractor sites to restart dormant lines impacted during sequestration to meet production demands. The potential $1.7 billion loss in funding for total force weapon system sustainment activities would result in significantly increased costs to recover due to rehiring efforts, training new personnel, re-establishing linkages in the supply chain, as well as normal cost growth. A balance of force structure changes, investments, and sustainment activities will be required to recover Air Force readiness levels.

175. Senator CHAMBLISS. General Welsh, the Air Force is asking Congress for relief from the 50/50 depot-contractor ratio and the Depot Purchase Equipment Maintenance floor requirements to mitigate the impact of possible sequestration and year-long CR for fiscal year 2013. I have been a strong supporter of DOD depots throughout my time in Congress, in particular to ensure we maintain the proper balance between organic depot maintenance and private sector workloads. This not only provides capabilities to our warfighters at the best cost to taxpayers, it preserves organic maintenance capabilities—and therefore flexibility—for the service. Your request for relief in these areas implies that depot maintenance work performed by contractors is more cost-effective than work performed in the public depots. What is the current public/private depot workload ratio?

General WELSH. Air Force fiscal year 2013 50/50 projections, pre-sequestration, are approximately 53 percent organic and 47 percent contract.

176. Senator CHAMBLISS. General Welsh, why are you asking for relief?

General WELSH. At this time the Air Force is uncertain as to whether it will require relief from 50/50, but we believe it is appropriate to alert Congress that the potential exists. Should sequestration take effect, the Air Force will take approximately a $1.6–$1.8 billion reduction to its sustainment accounts, including its Weapon System Sustainment (WSS) account. The WSS account contains funds for organic depot maintenance, sustaining engineering, technical order development, and Contractor Logistics Support (CLS). CLS includes depot maintenance along with other sustainment funding such as supply chain and program management, and engineering. Approximately 50 percent of the WSS reduction will be applied to CLS, and the remaining 50 percent will be spread between the three organic accounts of WSS. At this time the Air Force has a higher level of understanding as to where it will take the adjustments to the three organic accounts within WSS than the CLS account. Depot maintenance is the largest amongst the three organic accounts and will be reduced approximately $550 million. The Air Force is working with industry to determine how best to apply the reductions to the CLS account. The Air Force's plan to reduce the fiscal year 2013 flying hour program also will drive a reduction to organic and contracted depot maintenance. This funding does not reside in its WSS account. At this point the Air Force has not assessed the impact of this reduction on the organic and contracted commodity depot maintenance workloads.

177. Senator CHAMBLISS. General Welsh, will Congress receive a formal, legislative request for relief?

General WELSH. Air Force will explore a waiver to fiscal year 2013 as soon as the impacts of the CR and sequestration reductions are finalized.

178. Senator CHAMBLISS. General Welsh, what is the duration of the relief request?

General WELSH. The duration of any waiver would depend in part on what actions Congress takes to address the fiscal year 2013 and beyond CR and sequestration reductions.

179. Senator CHAMBLISS. General Welsh, what are the projected savings of these initiatives?

General WELSH. Since sequestration actions are budget reductions there are no savings. Approximately $1.6–$1.8 billion in fiscal year 2013 third and fourth quarter total force weapon system sustainment activities are at risk due to sequestration. Analysis of current workload and Air Force implementation planning indicates over 150 aircraft depot inductions (17 percent) and 85 engine overhauls (15 percent) would be deferred/cancelled in the third and fourth quarters of fiscal year 2013. Depot level reparable parts supporting flying operations will be significantly reduced as flying hours are reduced across all fleets. Over $100 million in sustaining engineering tasks, including various structural integrity test programs across all fleets, will be deferred or eliminated. In addition, potential CLS contract reductions range from $550 million to $760 million, affecting workload at contractor sites and depot partnerships.

180. Senator CHAMBLISS. General Amos, the possibility of sequestration along with the year-long CR will severely affect our ability to conduct maintenance in the coming year. The Marine Corps plans to reduce depot maintenance to 22 percent of the baseline requirement. How does this translate into specific impacts for Marine Corps depots, in particular, Marine Corps Logistics Base, Albany, GA?

General AMOS. Funding at this level would force us to assume significant risk in mission-essential weapon system readiness and would delay our reset from operations in Afghanistan an additional 12–18 months. We estimate that reset would be complete 2 years after the last equipment leaves Afghanistan, which is projected for early fiscal year 2015. This delay translates to reset completion in fiscal year 2017 or 2018. We expect that contractors would release 723 employees, and the government would layoff 122 Federal term employees, a total of 845 workers, or one-third of the combined government and contractor workforce. Once this workforce is laid off, and assuming funding is available, it would take 1–2 years to fully re-establish this maintenance capability, further delaying reset. These depot workforce reductions would affect both Albany, GA, and Barstow, CA, personnel.

181. Senator CHAMBLISS. General Amos, how will the Marine Corps recover from this reduction, and at what cost?

General AMOS. If reductions in funding are permanent, the Marine Corps would not be able to provide the capabilities that the Nation requires and expects. Marines would deploy without all equipment required for the mission, or with equipment that does not perform to required standards; resulting in risk to the safety of personnel and their ability to respond quickly and decisively to crisis. Even with short-term reductions, we would be forced to assume risk in mission-essential weapon system readiness.

OHIO-CLASS

182. Senator CHAMBLISS. Admiral Ferguson, the possibility of sequestration and the year-long CR will have major impacts on the Navy Fleet modernization. How will these budget constraints affect the *Ohio*-class submarine replacement program?

Admiral FERGUSON. A full-year continuing resolution will not impact the *Ohio* Replacement Program (ORP) since the fiscal year 2012 appropriations were greater than the fiscal year 2013 requested amount; however, sequestration will reduce R&D funding by $55 million in fiscal year 2013, which would result in a 3-month delay to construction start and delivery. If the R&D funds are not restored in fiscal year 2014, then the ORP will not achieve the planned design completion at the start of ship construction, which will pose significant risk to the OR SSBN being ready to replace retiring *Ohio* SSBNs in 2031.

QUESTIONS SUBMITTED BY SENATOR ROGER F. WICKER

POWER PROJECTION

183. Senator WICKER. Admiral Ferguson and General Amos, the Navy recently released a CR and sequestration impact statement that primarily focuses on the impacts to fleet operations such as the Navy's decision to reduce our carrier presence in the Persian Gulf from two carriers to one. This reduction in deployed naval forces will have a negative impact on our ability to respond to global crises promptly and decisively. Can you briefly elaborate on how sequestration would threaten the Navy and Marine Corps' ability to decisively project power abroad?

Admiral FERGUSON. The combined effect of a year-long continuing resolution and sequestration will reduce our Navy's overseas presence and adversely impact the material readiness and proficiency of our force. As a result, the Navy will be limited in its ability to provide the capability and capacity called for in the current defense strategy and will be unable to execute all of the naval force requirements of the combatant commanders.

General AMOS. The impacts of sequestration can be looked at in terms of immediate effects (current fiscal year) and effects over time (future years), both of which have significant effects on the ability of the Marine Corps to project power. The Marine Corps relies heavily on amphibious shipping to project power and maintain presence. Sequestration measures the Navy may implement can have second and third order consequences on the Corps' ability to meet its core missions, particularly with respect to degraded unit training and reduced support to theater geographic combatant commander requirements for shaping their theaters, crisis response, and deterrence. Immediate steps the Navy might take:

- Cancelling all fiscal year 2013, third and fourth quarter ship maintenance availabilities which would affect the following amphibious ships: *Wasp, Peleliu, Green Bay*, and *Rushmore*.
- Cancelling or deferring essential maintenance would adversely affect the ships' ability to deploy, either independently or with amphibious ready groups (ARG)/Marine expeditionary units (MEU), and decrease their service life.
- Cancelling independent deployers to the Caribbean and South America, providing no support to SOUTHCOM amphibious ship and associated MAGTF requirements.
- Cancelling independent deployers that support combatant commander engagement priorities, specifically Africa Partnership Station, which in turn reduces the Marine Corps' ability to project power and respond to crisis in the AFRICOM AOR.

The long-term effects of sequestration include the cancellation of ARG/MEU deployments. Beginning in fiscal year 2014, the BATAAN ARG and 22 MEU deployments could be cancelled, followed by two more ARG/MEUs scheduled to deploy in fiscal year 2015. This will cause a gap in presence in the CENTCOM AOR for an undetermined amount of time, depriving 5th and 6th Fleets of a theater strategic Reserve and a sea-based crisis response capability. Further reduction of ARG/MEU deployments limits forward presence in flash point regions from North Africa to the Levant, and throughout the Middle East and South Asia.

Outside the realm of amphibious shipping, the Marine Corps provides strike aircraft in support of carrier battle group deployments and as part of forward-based formations in Japan and Bahrain. Reduced Navy CSG presence in support of operations in the Persian Gulf forces the Service to focus on one theater over others with regard to Marine Corps F/A–18 deployments.

The Marine Corps provides other deployed forces ranging from the Black Sea Rotational Force in EUCOM AOR, to SP–MAGTF Africa in the AFRICOM AOR, to Marine Rotational Force-Darwin in the PACOM AOR. These rotations would be impacted as the Marine Corps would be forced to prioritize among multiple combatant commander requirements. In the Asia Pacific alone, reduced presence would potentially decrease theater security cooperation and multi-national training participation, degrading one of the most effective investments in building partner nation capacity. This puts U.S. credibility at risk with allies and partners. Lastly, the Marine Corps decisions to reduce support to theater geographic combatant commander requirements negatively impact shaping activities within theaters, responding to crisis and preventing conflict.

184. Senator WICKER. Admiral Ferguson and General Amos, what is your assessment of the impact sequestration would have on the Navy and Marine Corps' ability to execute DOD pivot to Asia?

Admiral FERGUSON. A year-long CR and/or sequestration will impact our ability to support the Asia-Pacific rebalance in four ways:

- Forces: Delays the deployment of Navy forces in the Pacific. We will mitigate impacts by operating forward with Forward Deployed Naval Forces, rotational crews on Littoral Combat Ship, and rotational Military Sealift Command crews on the JHSV, Mobile Landing Platform, and the AFSB.
- Capabilities: Enhanced capabilities will deliver to the Navy more slowly, face reduced procurement objectives, or possibly cancellation (F–35s, P–8s, SSNs, LCS, and enhanced capabilities in our weapons and sensors).
- Home porting: The shift of 60 percent of our ships and aircraft in the Pacific will be delayed since our operating and maintenance funds will have a ripple effect on the movement of all ships and because newly procured ships and aircraft destined to be based in the Pacific will deliver more slowly.
- Intellectual capital: fiscal year 2013 exercises (Carats, Foal Eagle, Malabar), travel for partnership events, and education opportunities in the region would be reduced.

As the Secretary of Defense has stated, sequestration impacts our ability to support the Defense Strategic Guidance, and may compel us to change the defense strategy altogether.

General AMOS. We are concerned that sequestration, when applied in the midst of our planned redistribution of forces in the Pacific, will impose significant impacts to our operational readiness and responsiveness, and hinder our ability to maintain deterrence, project power, respond to crises and contribute to stability, in accordance with combatant commander requirements and timelines. Our rebalance to the Pacific faced a significant challenge with the planned downsizing of the Marine Corps to 182,100. We mitigated this by pacing the reconstitution of the III MEF UDP commensurate with our force requirements in the CENTCOM AOR and by accepting the impacts of the downsizing in other commands in favor of sustaining, and in some cases increasing, our III MEF force levels under the distributed laydown. Sequestration will reduce the operational readiness of those Pacific-based forces to conduct their assigned missions. Sequestration will also incur a proportional delay in executing the facilities and force posture restructuring necessary to achieve the distributed laydown plan, inducing further risk for Marine Corps forces in the Pacific. Extending the already protracted timeline for the distributed laydown increases risk for III MEF due to disruption of operational capabilities during the transition and relocation process.

Sequestration may affect USMC participation in Theater Security Cooperation (TSC) events across the Pacific, to include Phase II of the MRF–D, and the III MEF UDP. MRF–D Phase II, the growth in Australia from a company to battalion sized SP–MAGTF, may be impacted by sequestration. Initial fiscal year 13/2014 costs related to site preparation for the larger unit, and the costs associated with moving the gear set, agricultural inspections, and unit movement, as well as regional TSC strategic-lift expenses could be at risk. III MEF UDP is the Marine Corps' method to project Marine forces forward in the PACOM AOR and may be affected by sequestration if funding is unavailable for deployment.

The significant impact to USMC equity in the Pacific due to sequestration is the effect on strategic mobility. Intra-theater lift is a requirement due to the distances in the PACOM AOR. USMC ability to participate in TSC events could be impacted if U.S. Navy ships are less available due to maintenance and other forms of Intra-theater lift are too expensive. While the JHSV is not currently available, sustained sequestration may impact USMC capacity to fund JHSV use when the asset becomes available.

SHIPBUILDING INDUSTRIAL BASE

185. Senator WICKER. Admiral Ferguson, like many of my colleagues, I am concerned about the impact the CR and sequestration will have on our industrial base. In recent days, the Navy submitted to Congress a revised force structure assessment that identifies a 306-ship requirement, down from the previous 313-ship requirement that has been in effect since 2005. I am concerned that sequestration, a lack of annual appropriations, and decreasing top-line budget numbers would drive a generation of highly-trained and highly-skilled workers away from the shipbuilding industry. Given the impending threat of sequester, what is the Navy's near-term contingency plan to help protect and preserve the U.S. shipbuilding industry and its employees?

Admiral FERGUSON. The mechanical nature of sequestration, the lack of an annual appropriations bill, and decreasing discretionary budget caps will adversely affect the Nation's shipbuilding industry. Delayed or cancelled ship and aircraft construction and cancelled depot maintenance will result in a reduction of the civilian workforce in our military industrial base. The loss of work in fiscal year 2013 alone may cause some smaller suppliers and service providers to shut down, causing irreversible damage to small businesses and component manufacturers. For example, over 90 percent of our nuclear components are provided by sole-source manufacturers, putting them and our ability to procure and sustain our nuclear-powered ships and submarines at risk. The health and viability of the shipbuilding industrial base depend on the productive relationship between private industry and the Navy. As we have done in the past, Navy will continue to be flexible in working with shipyards to minimize adverse impacts, where it is prudent and reasonable. For current and future contracts, we will consider adjusting schedules and other novel approaches to allow shipbuilders to more effectively manage the reduced workload. However, any such approaches will need to be carefully weighed against operational requirements and schedules, as well as the need to reduce cost and include competition. Even with these efforts it will be increasingly difficult to sustain current employment levels under sequestration.

186. Senator WICKER. Admiral Ferguson, how do we keep them employed if we build fewer ships and perform less ship maintenance?

Admiral FERGUSON. Navy will work within existing law, should sequestration be triggered and discretionary budget caps be imposed in the long-term, to minimize the adverse impact to the shipbuilding industrial base.

The health and viability of the shipbuilding industrial base depend on the partnership between private industry and the Navy. As we have done in the past, Navy will continue to be flexible in working with shipyards to minimize adverse impacts, where it is prudent and reasonable. For current and future contracts, we would be willing to consider adjusting schedules and other novel approaches to allow shipbuilders to more effectively manage the reduced workload. However, any such approaches will need to be carefully weighed against operational requirements and schedules, as well as the need to reduce cost and include competition. Over the long term, it is likely we will not sustain current employment levels in our industrial facilities with the projected reductions to depot maintenance, force structure, and shipbuilding under sequestration.

QUESTIONS SUBMITTED BY SENATOR KELLY AYOTTE

NORTH KOREA

187. Senator AYOTTE. Secretary Carter, what is your assessment of North Korea's ICBM capabilities?

Secretary CARTER. [Deleted.]

188. Senator AYOTTE. Secretary Carter, when do you predict that North Korea may be able to strike the Mainland United States with an ICBM?

Secretary CARTER. [Deleted.]

IRAN

189. Senator AYOTTE. Secretary Carter, when do you predict that Iran may be able to strike the mainland United States with an ICBM?

Secretary CARTER. With sufficient foreign assistance, Iran may be technically capable of flight-testing an intercontinental ballistic missile (ICBM) by 2015. Iran could also have a longer-range Medium-Range Ballistic Missile (MRBM) or an intermediate-range ballistic missile capable of threatening much of the Western Europe by 2015.

Iran's development of MRBMs and successful launching of the Safir, a multistage space launch vehicle, demonstrate progress in some technologies relevant to ICBMs. Iran displayed its next-generation SLV, the Simorgh, in February 2010. It is much larger than the Safir and shows progress in booster design that could also be applicable to an ICBM.

NUCLEAR ARMS

190. Senator AYOTTE. Secretary Carter, is the administration honoring its past nuclear modernization commitment under the New START treaty?

Secretary CARTER. Within existing budget constraints, the administration, through the efforts of DOD and NNSA, is modernizing U.S. strategic delivery systems, the nuclear complex and its associated infrastructure, and is sustaining the nuclear stockpile in accordance with its commitments to Congress and under the New START treaty.

191. Senator AYOTTE. Secretary Carter, are the Russians in full compliance with our existing arms control agreements?

Secretary CARTER. As Congress knows, the United States has raised concerns regarding Russian compliance with the Chemical Weapons Convention and the Conventional Forces in Europe Treaty. More broadly, DOD works with the Department of State and its other interagency partners in assessing and responding to compliance concerns. With respect to nuclear arms control, issues related to New START treaty implementation are currently under discussion in that Treaty's implementation oversight forum, the Bilateral Consultative Commission. Resolution of such issues with Russia is clearly important.

192. Senator AYOTTE. Secretary Carter, should we be discussing further reductions if they have not complied with current obligations?

Secretary CARTER. As the President has stated, reductions to U.S. nuclear forces beyond those in the New START treaty are possible while still ensuring the security of the United States and its allies and partners. Such reductions would be consistent with both Article VI of the Nuclear Nonproliferation Treaty and with the conclusions of the 2010 NPR. Issues related to new START treaty compliance are currently under discussion in that Treaty's compliance forum, the Bilateral Consultative Commission. Resolution of such issues with Russia is clearly important.

193. Senator AYOTTE. Secretary Carter, do you believe we should continue to reduce our remaining nuclear stockpile if we are failing to appropriately modernize our nuclear arsenal?

Secretary CARTER. The administration is committed to a safe, secure, and effective nuclear deterrent as long as nuclear weapons exist. As reflected in the 2010 NPR, maintaining the Triad and modernizing U.S. nuclear forces and the nuclear weapons infrastructure are—and will remain—national security priorities. The President has also made clear that reductions to U.S. nuclear forces beyond those in the New START treaty are possible while still ensuring the security of the United States and its allies and partners. Such reductions would be consistent with both Article VI of the NPT and with the conclusions of the 2010 NPR.

194. Senator AYOTTE. Secretary Carter, with Russia and China modernizing their nuclear arsenals, Iran pursuing a nuclear weapons capability, and North Korea conducting a third nuclear test, do you believe this is a good time to discuss major additional reductions to America's nuclear deterrent?

Secretary CARTER. Please see my answer to question #193.

MARINE EXPEDITIONARY UNIT

195. Senator AYOTTE. General Amos, is it accurate to say that before September 11, 2001, the Marine Corps regularly had an East Coast Marine Expeditionary Unit (MEU) in the Mediterranean?

General AMOS. Prior to 11 September 2001, the Navy and Marine Corps provided a sustained Amphibious Ready Group/Marine Expeditionary Unit (ARG/MEU) presence in the Mediterranean with forces from the east coast. At the time, the U.S. Navy had over 40 amphibious ships in the inventory; that number of amphibious warships supported a greater global presence. Overtime, the number of amphibious warships has declined significantly: 1990 (64); 2000 (41); and 2013 (30).

Since 11 September 2001, ARG/MEUs from both coasts have deployed in an alternating rotation to fill specifically a continuous presence in the CENTCOM AOR, providing only transitory presence in the Mediterranean. Amphibious forces have responded to crises in these theaters, but at the expense of presence in CENTCOM AOR. Given the low numbers and operational availability of amphibious warships today, along with a potential reduction in force or curtailment in operations, the U.S. Navy-Marine Corps team would be challenged to provide a sustained presence,

capable of responding to crisis in the Mediterranean without accepting risk elsewhere.

196. Senator AYOTTE. General Amos, did the Marine Corps have a MEU in the Mediterranean on September 11, 2012?

General AMOS. 24 MEU was deployed in the CENTCOM area of operations (AOR) on 11 September 2012, fulfilling the CENTCOM theater Reserve mission.

The 24 MEU had previously transited the Mediterranean Sea from 5 April to 1 May 2012 on its way to the CENTCOM AOR.

The 24 MEU subsequently redeployed to the Mediterranean Sea on 6 November 2012 during its out-bound transit and remained there until 11 December 2012.

197. Senator AYOTTE. General Amos, would you agree that under current spending reductions, and certainly under sequestration, we are likely to have more incidences in which the Marine Corps will not be able to respond in a timely way to save American lives?

General AMOS. Given the low numbers and operational availability of amphibious warships today, along with a potential reduction in force or curtailment in operations, the Navy-Marine Corps team will be challenged to provide a sustained presence, capable of responding to crisis without accepting risk elsewhere.

If sequestration occurs, the Department of the Navy may be forced to gap the required CENTCOM AOR presence. Response to crises in the Mediterranean might have to rely on the global response force ARG/Marine Expeditionary Unit (MEU), which would take 10 days for transit (following equipment/forces onload) if an east coast ARG/MEU responds, and 28 days for transit if a west coast ARG/MEU responds.

In response to Secretary of Defense's direction to the geographic combatant commands and the Services to develop crisis response options to be deployed to EUCOM or AFRICOM, the Marine Corps developed a concept for a Marine Special Purpose Marine Air Ground Task Force-Crisis Response capable of conducting limited crisis response missions to include embassy reinforcement, limited NEOs, tactical recovery of aircraft and personnel, and fixed site security. The Marine Corps would have to rely on a combination of land-based and maritime platforms, based on availability, to sustain and employ this force. The MV–22B would be the primary aviation asset due to its range and flexibility. However, fiscal constraints imposed upon the Marine Corps as a result of sequestration would have a direct impact on the Service's ability to initiate this capability while maintaining the support it provides to all other global demands.

Despite the constrained funding resulting from a combination of the continuing resolution and sequestration, in the next 6 months the Corps would be able to continue meeting its deployed warfighting needs and the training of its next-to-deploy forces. In the next 6 to 12 months, however, the Corps will see degradation in home-station unit readiness, impacts to force modernization, and impacts to next-to-deploy forces. Beyond 12 months, it will see a real impact to all home station units (e.g. fixed wing squadrons will have on average only four of twelve assigned aircraft on the ramp due to aviation depot shutdowns) and the beginning of more severe impacts to next-to-deploy and deployed forces.

SEQUESTRATION PLAN

198. Senator AYOTTE. Secretary Carter, in your written statement, you mention your testimony last August. Why didn't you issue guidance last August asking your Service Chiefs to submit detailed plans to implement sequestration?

Secretary CARTER. We did a great deal of pre-planning over the past year and communicated the fundamental problems sequester would cause repeatedly in speeches and testimony, both before and after we started planning. Starting in January, we began detailed budget planning and, importantly, we started taking actions to slow spending. Indeed actual action is the main difference between our sequestration efforts before and after January.

We felt that it was premature to order detailed budget planning last August. As it turns out, that planning would have been largely wrong because it couldn't have taken into account the far-reaching effects of the Continuing Resolution and it would have had the wrong dates for the beginning of sequestration. Even though it would have been wrong, premature planning would have forced an early start to the degradation in morale and productivity, and the overall increase in inefficiency, that we are experiencing right now as we do detailed planning. Moreover, no matter how much planning we do, or when we do it, the adverse effects of sequestration

and the Continuing Resolution cannot be significantly offset. The only good solution is to detrigger sequestration and pass appropriations bills.

199. Senator AYOTTE. Secretary Carter, based on the OMB guidance that makes DOD responsible for liabilities for any defense contractor that does not abide by the Worker Adjustment and Retraining Notification Act (WARN Act), how much money do you anticipate DOD will have to spend on WARN Act-related reimbursements?

Secretary CARTER. The OMB guidance does not make DOD responsible for any additional liabilities; instead, the guidance applies existing FAR provisions to a specific question regarding WARN Act-related costs raised by the Federal contracting community, and it explains how governing cost principles would apply in those circumstances. Specifically, the guidance states that if sequestration occurs, an agency terminates or modifies a contract as a result of sequestration that necessitates that the contractor order a plant closure or mass layoff subject to WARN Act requirements, and the contractor has followed a course of action consistent with the Department of Labor's Training and Employment Guidance Letter No. 3–12 (the TEGL), then certain liability and litigation costs would be allowable and be covered by the contracting agency, if otherwise reasonable and allocable. This is an appropriate application of existing FAR provisions and reflects a fair and reasonable approach. As circumstances evolve, each contractor must make its own decisions with regard to sequestration's impact on its business and whether the requirement to issue WARN Act notices has been triggered. As made clear in the TEGL, if and when "specific closings or mass layoffs are reasonably foreseeable," notice would be required, and if a contractor failed to provide appropriate notice in that circumstance the relevant FAR principles may provide a different answer regarding the allowability of related costs.

I do not anticipate that application of the OMB guidance will result in any significant costs to the Department.

QUESTIONS SUBMITTED BY SENATOR DEB FISCHER

STRATEGIC FORCES

200. Senator FISCHER. Secretary Carter, according to the President's 2010 NPR, an important basis for reducing the role and numbers of nuclear weapons is that "U.S., allied, and partner conventional military capabilities now provide a wide range of effective conventional response options to deter and if necessary defeat conventional threats from regional actors." As this statement makes clear, shifting responsibility for deterrence missions from nuclear to conventional forces is a central rationale for reducing our reliance on nuclear weapons. In light of General Dempsey's testimony before the Armed Services Committee on February 7, 2012, that pending spending cuts would require DOD to "do less with less," can we expect our conventional forces to assume additional missions—such as providing deterrence—with devastating reductions in funding looming?

Secretary CARTER. As the Secretary and I have stated repeatedly, reductions of the scale that would be imposed by sequestration would have devastating effects on the ability of the U.S. Armed Forces to accomplish their missions. If sequester occurs, irrespective of prospective cuts to our conventional forces, the United States has and must maintain a safe, secure, and effective nuclear arsenal able to meet our deterrence requirements. That said, sequester-level reductions would require some very hard choices. I urge Congress to eliminate the sequester threat permanently and pass a full-year appropriations bill for the Department and other Federal agencies, along with a balanced deficit reduction plan.

201. Senator FISCHER. Secretary Carter, during our conversation in the hearing, you stated, "we in DOD, will try to protect our nuclear capabilities to the maximum extent possible. But there may be some effects on some parts of it." Please describe in detail the effects that the pending budget cuts could have on our nuclear capabilities and, in particular, the efforts to modernize our nuclear deterrent and the facilities that support it.

Secretary CARTER. While we would have to defer to NNSA for specifics, a reduction to NNSA weapons activity funding would adversely impact our ability to continue our plans to modernize the nuclear stockpile. Eighty percent of the nuclear stockpile will be in various stages of life extension efforts over the next 5–10 years. A budget reduction that impacts NNSA's ability to perform one or more of these life extension programs would introduce risk in our ability to sustain the stockpile and diminish confidence in the nuclear deterrent. We are also relying heavily on a mod-

ernized nuclear weapons complex to perform this work. Budget reductions delaying needed infrastructure modernization would introduce more risk to scheduled life extension programs. We have been working closely with DOE to find efficiencies in both our weapons programs and the infrastructure modernization programs, some of which Congress has already been informed of, and we plan to provide additional measures in the fiscal year 2014 budget. Sequestration has not been assumed in these plans, and would add substantial risk for the maintenance and modernization of our nuclear stockpile.

QUESTIONS SUBMITTED BY SENATOR DAVID VITTER

TRAINING

202. Senator VITTER. General Odierno, I understand that the Army will cancel several NTC and JRTC rotations this year regardless of whether we solve sequestration and the CR. Will the Army be able to reschedule these rotations in 2014?

General ODIERNO. Unfortunately, no. The Army will conduct rotations at the NTC and JRTC as funds are available, but we will have missed the window for improving readiness for those units as they flow through the ARFORGEN cycle into the Available Phase. Our capacity is limited and even with additional funding in fiscal year 2014, we cannot significantly increase capacity and will have lost this critical training opportunity for those units with canceled rotations until they again rotate through the ARFORGEN cycle in 2 years.

203. Senator VITTER. General Odierno, what do you see as the potential second and third term effects of not keeping BCTs stationed the way they currently are?

General ODIERNO. The Army's Programmatic Environmental Assessment ensures we examine the military utility, impacts on the communities, infrastructures, and the costs and savings of stationing. The key is stationing to ensure we meet our treaty obligations, maintain our readiness and responsiveness, and achieve the goals of the defense strategy, while keeping in mind our great military communities.

204. Senator VITTER. General Odierno, are there any additional values in maintaining BCTs that are trained and ready? For example, and more specifically, the 4/10 Mountain Brigade recently had their deployment orders advanced from October to July. The 4/10 was able to easily adjust their training and enter directly into the JRTC schedule on an earlier date with no additional cost to the Army, and they are able to be certified combat ready at the JRTC.

General ODIERNO. Yes, the availability of an inventory of trained and ready BCTs enables the Army to adjust and respond to changing situations and requirements. The Army's Force Generation model is designed to ensure sufficient Army forces are available to meet not only standing combatant commander requirements for forces, but also to ensure some forces are reasonably available and ready for possible contingencies. Army forces not assigned a specific mission prepare for a broad range of missions that include both Combined Arms Maneuver and Wide Area Security.

205. Senator VITTER. General Odierno, if the Army is forced to cut other planned training of BCTs at NTC/JRTC, how much more valuable does it become for the Army to keep combat brigades stationed at these installations to be able to train and respond quickly without a significant cost?

General ODIERNO. CTC rotations are only one part of creating trained and ready BCTs. Having a BCT stationed at or near a CTC may save on some costs, but it also imposes other costs, and re-stationing additional BCTs to these installations is neither supportable nor affordable. Additionally, one of the training values of the CTC experience is the going through the deployment process and learning valuable lessons about how to move a unit long distances and then rapidly employ it. We will find ways to effectively and efficiently continue our training at NTC and JRTC.

206. Senator VITTER. General Odierno, how much more costly would it be to the Army if they had to transport and support a change in schedule with a BCT from another base in the United States to either the NTC or the JRTC?

General ODIERNO. There is a wide variance in transportation costs to our Combat Training Centers depending on the type of unit and its location. Transportation costs are usually in the range of $17.8 million for NTC, and $18.2 million for JRTC. But these costs can be mitigated by prepositioning combat sets of equipment at our training centers. This will be analyzed as we move forward as one of the courses of actions if we implement sequestration.

207. Senator VITTER. General Odierno, what will be the impact on readiness?

General ODIERNO. The impact on readiness will be sudden and long lasting. While Army soldiers and leaders have immense experience from the past 12 years of conflict, those skills have been most closely associated with stability operations. Our skills in other operations both individual and collective that are necessary to conduct unified land operations have atrophied. Collective training skills degrade quickly over time and require not only initial certification training, but resources to sustain the required level of training readiness. We will only be able to train to squad and platoon level and will be limited in our ability to train to company, battalion and brigade level. The longer our units are not able to conduct collective training at our Combat Training Centers, the risk to the force increases exponentially.

208. Senator VITTER. General Odierno, are there other areas of readiness from which we will not be able to recover because of the CR?

General ODIERNO. Almost every component of readiness is recoverable based on time and resourcing. However, outlined below are several areas that will pose significant recovery challenges.

One of the primary challenges we face over the next 6 years is to reorient our force to the broader array of missions we may face in the years ahead, whether it be weapons of mass destruction recovery, cyber operations, support to civilian authorities, or high-intensity combat. The Continuing Resolution, coupled with sequestration, will limit any flexibility to meet these demands of the National Security Strategy.

The long-term nature of sequestration puts every 1 of the Army's 10 major investment priorities in jeopardy including vital network, combat vehicle and aviation modernization programs.

One of my highest priorities is leader development. This requires continued investment. While we can recruit and train soldiers in relatively short order, we cannot build their leaders in a similar time span. The professional noncommissioned and commissioned officers who carry the Army across the years need the benefit of not only serving in units that train for and conduct wide ranging missions but also the professional education that deepens their knowledge of and commitment to the profession.

209. Senator VITTER. General Welsh, in the National Defense Authorization Act for Fiscal Year 2013, Congress mandated the new Long-Range Strike Bomber (LRS–B) must be nuclear capable at Initial Operating Capability (IOC). I also understand the Air Force recently approved the Operational Requirements Document for the bomber which demonstrates your seriousness to moving ahead with the program. But, given sequestration and near certain budget cuts, I would like your views on how we limit risk to this program and keep it moving forward in a difficult funding period. Similarly, I remain deeply concerned that the Air Force has cancelled so many of the B–52 fleet modernization programs, solely for budgetary issues among them, the cancellation of the Strategic Radar program for the B–52. I find it distressing that considering all the money we have invested in radar technology in this country, we cannot somehow reengineer existing radar technology using off-the-shelf technology. Are you satisfied that splitting the responsibility for the new bomber design between two headquarters, Air Combat Command and Air Force Global Strike Command, will keep technical risk low in this program?

General WELSH. Per the National Defense Authorization Act for Fiscal Year 2013, the LRS–B must be capable of carrying nuclear weapons at IOC and certified for nuclear weapons employment within 2 years after IOC. The baseline aircraft will be built with the features and components necessary for the nuclear mission to ensure an efficient nuclear certification effort, conducted with a mature aircraft. The current bomber fleet will continue to provide a robust nuclear deterrent during LRS–B's development and initial fielding.

Regarding sequestration, LRS–B would not be impacted as a result of fiscal year 2013 contract funding being less than originally projected. However, multi-year sequestration cuts would delay fielding of initial capability.

There is no split responsibility for LRS–B requirements since I am ultimately responsible for approving all requirements and obtaining validation from the Joint Requirements Oversight Council. Air Combat Command has the lead role in LRS–B requirements generation. Air Force Global Strike Command is closely consulted on all requirements, but especially for nuclear requirements. Further, both commands participate in design trades with the LRS–B Program Office to ensure affordability.

210. Senator VITTER. General Welsh, does the current environment not make it even more important to follow-through with the nuclear modernization commit-

ments that were made by the President to secure Senate support for the New START treaty?

General WELSH. Nuclear modernization is an important objective for the Air Force, and we remain committed to a safe, secure, and effective nuclear deterrent. As reflected in the current NPR, maintaining and modernizing the Air Force legs of the Triad and dual-capable aircraft are critical to our Nation's security and remain top Air Force priorities. The Air Force will continue to provide the leadership focus and institutional excellence on nuclear deterrence necessary to support the President's comprehensive approach to nuclear security. Even though the Air Force is committed to providing the Nation a safe, secure, and effective nuclear deterrent, the impact of sequestration will force some difficult choices.

211. Senator VITTER. General Welsh, if the United States must now depend more on its nuclear deterrent to compensate for weaknesses in our conventional capabilities (due to the decline in defense spending anticipated over the next 10 years), why, then, is the President exploring further nuclear reductions with Russia, as has been reported in the press?

General WELSH. The Air Force has not been made aware of any policy determination that the United States will depend more on its nuclear deterrent to compensate for any potential weaknesses in our conventional capabilities caused by the decline in defense spending anticipated over the next 10 years.

212. Senator VITTER. General Welsh, regarding the B–52 fleet, are you comfortable that our air crews have capable radar, given the types of missions, both current ones, and those envisioned for the B–52 in the future?

General WELSH. Yes, the Air Force is comfortable that the B–52 radar meets all current and foreseeable future requirements.

213. Senator VITTER. General Welsh, regarding the Air National Guard and Air Force Reserves, in the Air Force fiscal year 2013 budget plan, the Air Force proposed cutting 5,100 Guard, 900 reservists, in addition to 3,900 Active-Duty personnel, with very little consultation with Congress or with the Nation's governors. At the time, I expressed my discontent regarding the proposal to abolish the 917th Fighter Wing at Barksdale Air Force Base and the 259th Air Traffic Control Squadron in Alexandria, LA. I was particularly surprised at not only the lack of consultation among the governors, but among your fellow Services, in this case, the Army. It was clear the Army was never properly consulted regarding the potential impacts to Air Force support during Green Flag East exercises at Fort Polk. I was assured by the Chief of Staff of the Air Force at the time that those commitments will be maintained. I hope they are. I want to commend you for working with Congress and dialing back those fiscal year 2013 plans to something much more reasonable. I understand the 259th Air Traffic Controllers will be maintained. I also applaud you for directing the stand-up of the Total Force Task Force to serve as the main body to assist the congressionally-mandated National Commission on the Structure of the Air Force and to encourage a better working relationship among the Active and Reserve components. I understand your new Total Force Task Force will be primarily designed to inform the fiscal year 2015 budget. But, considering the Air Force's original fiscal year 2013 force structure proposal was scaled down, and considering you are working hard to meet the demands imposed upon you by a CR and a potential sequestration, what can this Congress anticipate seeing in your fiscal year 2014 request when it comes to additional proposals impacting the Guard and Reserves?

General WELSH. While the Air Force cannot release details of its fiscal year 2014 budget proposal until the President submits it to Congress, I can assure you preparations for the fiscal year 2014 budget included representatives from the entire Total Force: Active, Guard and Reserve.

214. Senator VITTER. General Welsh, will Congress be surprised again or have we turned the page on last year's construct?

General WELSH. Preparations for the fiscal year 2014 budget involved representatives from the entire Total Force—Active, Guard, and Reserve. We worked hard to ensure transparency in our decisions, and to that end, we did not use non-disclosure agreements as was directed during the fiscal year 2013 budget preparation.

215. Senator VITTER. General Welsh, DOD recently announced it wants to add 4,000 cyber experts to its workforce. I am aware of ongoing efforts to expand the use of the National Guard to meet this requirement. We all know these positions will not come with a separate appropriation but they will come from DOD's existing ranks. In the case of the Air Force, and certainly I invite comments from General

Grass and others, how can we assure our talent in the National Guard and Reserves are being fully utilized for these future cyber missions, when we know we have a national shortage in cyber talent?

General WELSH. Senator Vitter, the Air Force will be responsible for approximately 30 percent of the Cyber Mission Forces that U.S. Cyber Command (CYBERCOM) is proposing to stand up. There will be challenges in shifting operational focus to align with DOD's new cyber guidance in light of the effects of increasingly constrained budgets and reduced force structure. Through Air Force Total Force Integration, we expect to leverage Air Reserve component (Guard and Reserve) experience to increase total force effectiveness in the cyber arena. In fact, one of the first teams fielded by the Air Force currently leverages cyber talent found in the Delaware Air National Guard. As we move forward to meet CYBERCOM requests for cyber mission forces, we are reaching out to our Guard/Reserve units to leverage their associate units to support future teams. Total Force Integration will be fundamental to ensuring the Air Force continues to become more efficient and effective in the cyber arena.

QUESTIONS SUBMITTED BY SENATOR MIKE LEE

TRAINING

216. Senator LEE. Secretary Carter, Secretary Hale, General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, in a December 2012 interview, Senator Hagel was asked about defense sequestration. In response, he stated he feels DOD is bloated and needs paring down. He said: "DOD, I think in many ways has been bloated... It has gotten everything it's wanted the last 10 years and more. We've taken priorities, we've taken dollars, we've taken programs, we've taken policies out of the State Department, out of a number of other departments and put them over in DOD . . . The abuse and the waste and the fraud is astounding . . . I think DOD needs to be pared down. I think we need DOD to look at their own priorities." Do you agree with Senator Hagel? Please provide a yes or no answer along with your explanation.

Secretary CARTER. Yes, we need to look at our priorities.

Secretary HALE. Yes, we need to look at our priorities.

General DEMPSEY. No. However, I do agree the Department needs to share the burden of the current fiscal crisis, and we have. As a result of Secretary of Defense Gates' initiatives, the DOD took nearly $178 billion in efficiencies followed by the 2011 BCA which further reduced the DOD base budget by $487 billion over 10 years. These are significant and responsible reductions in the Department's operating budget, and reflect our continuous efforts to be good stewards of taxpayer resources. Any further reductions will cause us to revise our strategy and recalibrate risk.

General ODIERNO. The Army has been at war in Iraq and Afghanistan for more than 10 years which has required significant growth for the Army. With the end of the Iraq war and the drawdown in Afghanistan, the Army will reduce force structure that was required to sustain two protracted conflicts. The Army leadership understands the current fiscal environment that the U.S. Government faces and is committed to doing what we can to be the best stewards of the government resources. This means getting the most out of every dollar. Over the past 3 years, the Army supported DOD's plan to cut $487 billion from the defense budget, which resulted in an 89,000 reduction in military personnel.

The Defense budget needs to continue to be iteratively evaluated to achieve every efficiency possible, while still maintaining our priorities to maintain a balanced force that is trained, equipped and ready to win the current fight and maintain responsiveness to unforeseen contingencies.

Admiral FERGUSON. I agree that DOD and, by extension the Navy, can be more efficient with our resources. We strongly support efforts that improve our efficiency while sustaining our operational and administrative effectiveness. Acquisition reform and other efforts should be made to deliver programs with lower cost, on schedule, and with necessary capabilities for the future.

General AMOS. I do not have enough information about Senator Hagel's views to agree or disagree with him. Certainly I would agree that Congress has supported DOD's requirements in recent years as we have fought the Nation's wars. I do believe that the organization under my charge, the Marine Corps—the smallest and the leanest of all Services—has maintained its traditional focus on combat effectiveness and readiness.

General WELSH. The Air Force defers to OSD for a response on the overall DOD budget. From the Air Force's perspective, sequestration is not the appropriate method to deal with concerns such as fraud, waste, and abuse or the funding of other cabinet departments. At a time when Air Force readiness is long-overdue for vital reconstruction, with a fleet aged beyond the bounds of comfort, and a force at its smallest since its inception, sequestration, if allowed to occur, puts the Air Force in the untenable trade space of forcing further risk to the Nation's defense by sacrificing elements of the three keys to effective provision of airpower—airmen, readiness, and modernization.

General GRASS. The Department has been postured for wartime operations for going on 12 years. As that wartime posture is drawn down, I expect that savings and efficiencies will be achieved. Some of those efficiencies will be realized by ensuring that our force structure is maintained in the Service components that can most effectively provide those capabilities to meet our national security at the most cost-effective manner.

217. Senator LEE. Secretary Carter, Secretary Hale, General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, in Secretary Carter's testimony he states, "[O]n January 10 I authorized all defense components to begin taking immediate actions to slow spending in order to prevent even more dire consequences later in the year. I directed each of the defense component heads to report back to me by February 1st with a list of proposed actions and an implementation plan." January 10, 2013, was approximately 1 year after the "Supercommittee" failure that forced budget sequestration. It was also after the date budget sequestration was originally supposed to begin. Why were these steps taken so late, and why did preparation not occur earlier?

Secretary CARTER and Secretary HALE. Secretary Panetta, both of us, and other defense leaders were warning of the effects of sequestration long before last August. We provided examples of the damage that would occur, and stressed that the mechanism of sequestration made these consequences obvious, and that there was no "plan" that would substantially mitigate the damage. We did not, however, begin taking harmful actions last year in anticipation of sequestration, since we believed that Congress would act to avert it. After the events of early January indicated to us that, despite the damage it would cause, sequestration might in fact take place, we began to take such actions. Those actions were also necessary because of funding shortfalls and misallocations resulting from the continuing resolution and the need to shield our warfighters in harms' way from the impact of sequestration. Additionally, on January 10, I instructed components to inform me by February 8 of their implementation actions for March 1. The Department will be fully ready to implement sequestration on March 1.

General DEMPSEY. As it became apparent that sequestration would not be de-triggered and as it became clear that we would be operating under an extended continuing resolution, we began to assess the detailed impacts in earnest.

General ODIERNO. The mechanics of implementing sequestration obviate the benefit of significant advance planning. That is the fundamental flaw with sequester. It takes away the flexibility for the Secretary and me to decide the Army priorities. Because the mechanism of sequester would so clearly be damaging to national security—as I have made clear for over a year in public comments and testimony—I have regularly advocated a different solution.

Admiral FERGUSON. DOD and Navy leaders have consistently requested Congress act to replace sequestration with a coherent approach to deficit reduction that addresses our national security interests. We believe that the effects of sequestration would be devastating, and we have been discussing this with Congress over the last year. The Navy is now taking prudent steps to slow our spending in the face of a potential year-long CR, and is prepared to initiate actions for sequestration after March 1, 2013. Should Congress enact an fiscal year 2013 appropriations bill or other legislation that provides the ability to transfer funds between accounts and authority for new starts, we will be able to reverse most of the actions we have taken in preparation for a year-long continuing resolution.

Our planned actions for sequestration would have been premature given the ongoing discussions and would be completely unnecessary if sequester is averted.

General AMOS. This question asks me to speculate about the thought processes and actions of Secretary Carter or others in the administration. I cannot answer for him, and therefore I defer to Secretary Carter for a response. However, the Marine Corps commenced formal sequestration planning as directed. This should not imply that significant work had not previously been undertaken to prepare for a fiscal environment characterized by declining resources. Since the passage of the Budget Control Act in 2011, we have worked to assess the potential impacts, optimize our

force structure and prioritize our requirements in order to meet what we acknowledge will be significantly reduced funding. Additionally, we have also had to assess the potential impact to mission readiness should we be faced with an annualized Continuing Resolution and should Congress fail to reach an agreement and sequestration commence. These are exceptionally complex problems, and we have invested significant time and analysis to understand the problem, frame our assumptions, assess impacts against our mission, and determine what we could and could not accomplish within these funding constraints. Despite these upfront efforts, we could not assess the detailed impacts until we executed detailed planning as opposed to higher level assessments. The Marine Corps maintains a longstanding reputation in DOD as being a frugal, lean Service that delivers the best value for the defense dollar. As such, the Marine Corps has worked to adapt to budgetary reductions by continuing our tradition of pursuing ways to streamline operations, identifying efficiencies, and reinvesting savings in order to get the most out of every dollar. It is this mentality that has allowed us to continue to provide the best trained and equipped Marine units to Afghanistan, even in this era of constrained resources.

General WELSH. The Air Force firmly agreed with DOD's belief that sequestration should be avoided at all costs. As Secretary Panetta articulated repeatedly, the proposed budget is a balanced and complete package with no margin of error. Additionally, the Air Force did not want to sequester ourselves and unnecessarily disrupt operations, training, and program execution.

General GRASS. I cannot speculate on the deliberations within the Department leading up to the January 10, 2013, direction provided to the Services.

218. Senator LEE. Secretary Carter, Secretary Hale, General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, were any of you told to not prepare for sequestration?

Secretary CARTER and Secretary HALE. We were not directed to avoid preparations for sequestration. Indeed we began pre-planning activities shortly after the law was passed. For reasons noted in an earlier question, it would have made little sense to begin detailed "planning" last summer.

General DEMPSEY. The Department followed the sequestration guidance provided by OMB.

General ODIERNO. Yes.

Admiral FERGUSON. No.

General AMOS. This question is difficult to answer as asked. As I recall, the Marine Corps was permitted to begin to "assess" the effects of sequestration around September 2012. I did not receive direction to not "prepare" for sequestration. However, my recollection is that I did receive direction not to "plan" for sequestration until December 2012, when we received permission to begin "early planning."

General WELSH. No. However, the Air Force did not want to unnecessarily sequester ourselves given our forces were engaged in combat operations and we were confident Congress would be successful in passing the legislation necessary to avoid sequestration.

General GRASS. We were provided guidance to not plan for sequestration ahead of the Department.

219. Senator LEE. Secretary Carter, Secretary Hale, General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, were you told that the cuts would not take place?

Secretary CARTER and Secretary HALE. We were not told to assume that the cuts would not take place.

General DEMPSEY. I was not told directly that sequester would not happen. However, there was a clear suggestion by our elected leaders that it would not be allowed to occur.

General ODIERNO. No. I realized that the cuts were law; however, I expressed repeatedly in the past year my desire for Congress to create a solution to avert sequester and the devastating impacts it would have on the Army.

Admiral FERGUSON. No.

General AMOS. I do not recall ever being told that the cuts would not take place. However, beginning in approximately September 2012, I do recall hearing much speculation about the possibility and likelihood of sequestration.

General WELSH. No. However, we viewed sequestration as a tool that was never intended to be implemented, but rather, a cause for action. We firmly believed a sequestration deal would be reached.

General GRASS. No.

220. Senator LEE. Secretary Carter, Secretary Hale, General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, if either or both of your answer above to this question were "yes" or some other affirmative response, please also reply who told you these things and when were you told these things?

Secretary CARTER and Secretary HALE. Not applicable.

General DEMPSEY. The Department followed the sequestration guidance provided by OMB.

General ODIERNO. Not applicable.

Admiral FERGUSON. Not applicable.

General AMOS. I do not recall ever being told that the cuts would not take place. However, beginning in approximately September 2012, I do recall hearing much speculation about the possibility and likelihood of sequestration. As I recall, the Marine Corps was permitted to begin to "assess" the effects of sequestration around September 2012. I did not receive direction to not "prepare" for sequestration. However, my recollection is that I did receive direction not to "plan" for sequestration until December 2012, when we received permission to begin "early planning."

General WELSH. The Air Force was not told the cuts would not happen.

General GRASS. Not applicable.

221. Senator LEE. Secretary Carter, Secretary Hale, General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, if either or both of your answer above to this question "no" or some other negative response, also please explain why you did not fully prepare for sequestration?

Secretary CARTER and Secretary HALE. In the unfortunate event that sequestration occurs, we will be prepared. We did a great deal of preplanning over the past year and communicated the fundamental problems sequester would cause repeatedly in speeches and testimony, both before and after we started planning. Starting in January, we began detailed budget planning and, importantly, we started taking actions to slow spending. Indeed actual action is the main difference between our sequestration efforts before and after January.

We felt that it was premature to order detailed budget planning last August. As it turns out, that planning would have been largely wrong because it couldn't have taken into account the far-reaching effects of the Continuing Resolution and it would have had the wrong dates for the beginning of sequestration. Even though it would have been wrong, premature planning would have forced an early start to the degradation in morale and productivity, and the overall increase in inefficiency, that we are experiencing right now as we do detailed planning. Moreover, no matter how much planning we do, or when we do it, the adverse effects of sequestration and the Continuing Resolution cannot be significantly offset. The only good solution is to detrigger sequestration and pass appropriations bills.

General DEMPSEY. As discussed in question #217, the Department knew that we must be ready to implement the law. As it became apparent that sequestration would not be de-triggered we began to assess the effects of sequestration in earnest.

General ODIERNO. The mechanics of how sequestration is implemented obviate the benefit of significant advance planning. That is the fundamental flaw with sequester. It takes away the flexibility for the secretary and me to decide the Army priorities. Because the mechanism of sequester would so clearly be damaging to national security—as I have made clear for over a year in public comments and testimony—I have regularly advocated a different solution.

Admiral FERGUSON. The Navy is prepared for sequestration to the extent that the mechanical nature of the sequestration law allows. The automatic cuts do not allow for prioritization or strategic planning, so by nature, you cannot prepare for sequestration in the manner that we consider other budgetary changes. We understand the numbers of cuts required and the dates by which they are required. The only budget area with any flexibility under sequestration is O&M. Since sequestration is being imposed halfway through the fiscal year, however, there is very little flexibility on how to apportion the 9 percent reduction imposed by sequestration. About half of our funds in this account are already spent and about half of the remaining funds are committed to items such as existing contracts, civilian retirement, and bills the Navy must pay.

Although detailed plans and actions were articulated to Congress and the public in January, Navy and its components fully considered contingencies for sequestration, and communicated the impacts in previous hearings with Congress. For example, in his testimony to the SASC on 15 March 2012 CNO testified to the impact on Navy force structure, noting a reduction to approximately 230 ships, and in testimony to the HASC on 2 December 2011 said our readiness accounts would face a

reduction of about 18 percent and that we may need to end procurement programs and begin laying off civilian personnel under sequestration.

General AMOS. I do not recall ever being told that the cuts would not take place. However, beginning in approximately September 2012, I do recall hearing much speculation about the possibility and likelihood of sequestration. As I recall, the Marine Corps was permitted to begin to "assess" the effects of sequestration around September 2012. I did not receive direction to not "prepare" for sequestration. However, my recollection is that I did receive direction not to "plan" for sequestration until December 2012, when we received permission to begin "early planning."

General WELSH. The Air Force postured for sequestration following OMB and DOD guidance while not unnecessarily taking actions that would have disrupted program execution. Our intent was to preserve readiness and not disrupt combat operations.

General GRASS. We were provided guidance to not push out any Service-component specific guidance ahead of the Department therefore our planning efforts did not include publishing any Service-component guidance ahead of the Department's guidance.

222. Senator LEE. Secretary Carter, Secretary Hale, General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, do you acknowledge that budget sequestration is current law?

Secretary CARTER and Secretary HALE. Yes.

General DEMPSEY. Yes, Budget sequestration is current law.

General ODIERNO. Yes.

Admiral FERGUSON. Yes.

General AMOS. My understanding is that the process of sequestration is provided for by law, but the conditions requiring its implementation have not yet been fully triggered. The Budget Control Act (BCA) is law. Sequestration is required when triggered by the conditions established by the BCA. Briefly, that Act established a savings target of 1.2 trillion dollars, to be achieved based on the adoption of recommendations to be made by the Joint Select Committee on Deficit Reduction (the "Super Committee"). It is my understanding that these conditions were not realized, and therefore, the sequestration provisions of the BCA would have become operative on 1 January. However, additional legislation, i.e., the American Taxpayer Relief Act of 2012, was passed delaying the potential implementation of sequestration until 1 March 2013, upon which date an order may issue from the President of the United States implementing sequestration.

General WELSH. Yes. Under the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Control Act of 2011, across-the-board reductions known as "the sequester" or "budget sequestration" are statutorily required.

General GRASS. Yes, to the best of my knowledge as of the date of this hearing, the provisions of the Budget Control Act of 2011 and the American Taxpayer Relief Act of 2012 pertaining to the budget sequestration are current law.

223. Senator LEE. Secretary Carter, Secretary Hale, General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, do you feel that DOD should follow every law?

Secretary CARTER and Secretary HALE. DOD should follow all applicable laws of the United States.

General DEMPSEY. DOD should follow all applicable laws of the United States.

General ODIERNO. DOD should follow all applicable laws of the United States.

Admiral FERGUSON. DOD should follow all applicable laws of the United States.

General AMOS. DOD should follow all applicable laws of the United States.

General WELSH. DOD should follow all applicable laws of the United States.

General GRASS. DOD should follow all applicable laws of the United States.

224. Senator LEE. Secretary Carter, Secretary Hale, General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, are there any exceptions?

Secretary CARTER and Secretary HALE. No.

General DEMPSEY. No.

General ODIERNO. No.

Admiral FERGUSON. No.

General AMOS. I have taken an oath to support and defend the Constitution of the United States. I have done so for virtually all of my adult life. I understand that oath to mean that I must also obey the law. I am unaware of any exception that I could make regarding my obligation to follow existing laws.

General WELSH. I am aware of no exceptions to the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, that would allow the Department to not implement the sequester. The Department is legally required to and will implement the sequester.

General GRASS. I respectfully defer to the leadership within the Department and the executive branch for guidance regarding what would constitute exception in this context.

225. Senator LEE. Secretary Carter, Secretary Hale, General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, in his testimony, Secretary Carter wrote: [T]he CR plays a deleterious role in shaping the fiscal year 2013 budgetary landscape . . . [T]he current CR directs that the base budget remain at the level enacted for fiscal year 2012. That provides sufficient total base budget dollars to DOD, but the dollars are in the wrong appropriations. Compared to our needs for fiscal year 2013, the CR provides too much funding in most investment accounts and insufficient funding in the O&M accounts that sustain day-to-day operations and military readiness . . . The impact of these [sequestration] cuts will be compounded by the misallocation of funding under the CR. Do you think it is fair to say that the lack of a functional Senate budget and appropriations process has denied the DOD opportunities to request that Congress calibrate its funding priorities to current military needs, conditions, and missions?

Secretary CARTER and Secretary HALE. To function effectively, DOD needs timely enactment of both authorization and appropriations legislation, and we have not had either one for the past several years.

General DEMPSEY. I have expressed my concerns to Congress about budget uncertainty, the lack of flexibility associated with sequestration, and speed of its implementation.

General ODIERNO. The lack of a fiscal year 2013 Appropriation bill from Congress and continued funding through a Continuing Resolution at fiscal year 2012 appropriation levels prevents the Secretary and me from appropriately prioritizing funding for current readiness and critical sustainment functions. This effect will cascade into fiscal year 2014, creating readiness problems in that year and beyond. If not given relief through passage of either an appropriation or authorities to reprogram funding, the Army will not be appropriately resourced to ensure a balanced trained, equipped and ready force, which will put our ability to meet wartime needs and combatant commander requirements at significant risk.

Admiral FERGUSON. The Navy is grateful for the continued support and understanding provided by Members of Congress. The Navy understands that we must do our mission within the appropriated resources and the authorities granted by Congress. Therefore, we urge Congress to act quickly to pass a Defense appropriations bill, or to provide an effective and prudent legislative mechanism for the DOD to make the adjustments within our budget that are necessary for us to continue to perform our missions, sustain our readiness, and build the warfighting capability of our Fleet.

General AMOS. The Marine Corps has had opportunities, and will continue to pursue opportunities, to provide our best information to the President and Congress regarding our budgetary requirements. Having an approved fiscal year 2013 appropriation that considered the requirements outlined in our budget submission would significantly help ameliorate the challenges of operating under a Continuing Resolution. We have provided detailed information about our current and future military requirements, and I along with others, have had opportunities to communicate the current and projected condition of the force. Although we may face difficult fiscal challenges, those challenges will not deter me from articulating the information necessary to resource the Marine Corps this Nation deserves.

General WELSH. The Air Force along with all other agencies who rely on appropriated funding would benefit from an orderly and predictable appropriations process.

General GRASS. I respectfully defer to the civilian leadership of the Department to decide.

226. Senator LEE. Secretary Carter, Secretary Hale, General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, are current missions identical to what they were expected to be in August 2011 when the BCA was passed?

Secretary CARTER. There have been detailed changes in specific missions, but the overall mission of the Department has not changed since December 2011.

Secretary HALE. There have been detailed changes in specific missions, but the overall mission of the Department has not changed since December 2011.

General DEMPSEY. A comprehensive review of the roles and missions of the U.S. Armed Forces resulted in development of the Defense Strategic Guidance (DSG). We played a large role in the development of that document throughout 2011 and were not surprised by the missions described when it was published in January 2012. Since then, our operating tempo in both the Middle East and Africa has increased.

General ODIERNO. No, missions are not identical due to changes in the operational environment as well as changes in national strategy. The operational environment today is more dynamic in the Middle East, North Africa, and Northeast Asia than in August 2011. Additionally, the new National Security Strategy has identified several new areas of emphasis such as the Asia-Pacific rebalancing.

Admiral FERGUSON. In August 2011, Navy missions directly supported the objectives of the 2010 National Security Strategy. New Defense Strategic Guidance (DSG) released in January 2012 re-affirms those same objectives while recognizing the changing strategic environment. Navy continues to provide forces in support of Global Force Management Allocation Plan (GFMAP) and primary missions of the DSG.

General AMOS. The current missions of the United States Marine Corps are identical to what was expected in August of 2011. Our forces remain committed to the Afghanistan mission and CENTCOMs commitments in the region. Our forces continue to provide a ready response to emerging threats globally. Additionally our force remains uniquely postured to support humanitarian and disaster relief worldwide at the direction of the President.

With these global roles in mind however, the nature of operations and our Nation's security outlook has evolved since 2011 along with changes around the world. Our ability to meet those challenges will be affected by sequestration. Sequestration will affect the planning and sourcing of future missions across the Range of Military Operations (ROMO) especially with respect to the Asia-Pacific rebalance and Theater Security Cooperation to include bi-lateral and multi-lateral security training and exercises.

General WELSH. Today's missions are generally the same as those the Air Force expected it would execute in 2011. The Air Force accommodated the Budget Control Act reductions by reducing force structure while maintaining the capability required to provide airpower to cover the full range of military operations.

- Defense Strategic Guidance, Jan. 2012
- Defense Budget Priorities and Choices, Jan. 2012
- USAF Force Structure Changes: Sustaining Readiness and Modernizing the Total Force

General GRASS. Yes.

227. Senator LEE. Secretary Carter, Secretary Hale, General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, are current missions identical to what they were expected to be in December 2011 when the Consolidated Appropriations Act that initially set funding levels passed?

Secretary CARTER. There have been detailed changes in specific missions, but the overall mission of the Department has not changed since December 2011.

Secretary HALE. There have been detailed changes in specific missions, but the overall mission of the Department has not changed since December 2011.

General DEMPSEY. A comprehensive review of the roles and missions of the U.S. Armed Forces resulted in development of the Defense Strategic Guidance (DSG). We played a large role in the development of that document throughout 2011 and were not surprised by the missions described when it was published in January 2012. Since then, our operating tempo in both the Middle East and Africa has increased.

General ODIERNO. No, missions are not identical due to changes in the operational environment as well as changes in national strategy. The operational environment today is more dynamic in the Middle East, North Africa, and Northeast Asia than in August 2011. Additionally, the new National Security Strategy has identified several new areas of emphasis such as the Asia-Pacific rebalancing.

Admiral FERGUSON. In December 2011, Navy missions directly supported the objectives of the 2010 National Security Strategy. The New Defense Strategic Guidance (DSG) released in January 2012 re-affirms those objectives while recognizing the changing strategic environment. Navy continues to provide forces in support of Global Force Management Allocation Plan (GFMAP) and primary missions of the DSG.

General AMOS. The current missions of the United States Marine Corps are identical to what they were expected to be in December 2011, taking into account the draw-down to counter-insurgency operations in Afghanistan. The DOD Strategic Guidance emphasizes a smaller and leaner force that will no longer be sized to sup-

port long-term stability operations that have dominated the past decade. As such, the Marine Corps has worked diligently to prepare for this future security environment by designing a tailored force that ensures a sufficient type and quantity of forces to meet the forward presence, engagement, and crisis response requirements of the combatant commanders, while maintaining the capacity to respond to additional major contingencies within planned timelines.

General WELSH. Since the time that the Consolidated Appropriations Act was passed in December 2011, the Air Force has maintained its missions as expected, taking minor deviations from what was planned. Any deviations occurred not because of the CAA but because the mission changed in ways that caused our response to change appropriately.

General GRASS. Yes.

228. Senator LEE. Secretary Carter, Secretary Hale, General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, did the process by which the BCA passed allow sufficient input from and consideration of military needs?

Secretary CARTER and Secretary HALE. It is up to Congress to determine the process it uses to formulate legislation. However, to our knowledge, there were no hearings on the specific effects of BCA on Federal agency needs, including DOD needs.

General DEMPSEY. We did have the opportunity to inform Congress on our priorities and the impact of the $487 billion cuts contained in the BCA.

General ODIERNO. Yes, the Army was allowed to provide sufficient input to support the $487 billion in cuts that were levied by the Budget Control Act (BCA) of 2011's discretionary caps to the DOD after passage. However, this did not include the further reduction of discretionary caps mandated if the Joint Select Committee on Deficit Reduction was unable to enact legislation that reduced projected deficits by at least $1.2 trillion. The outcome of the Joint Select Committee on Deficit Reduction was unknown at the passage of the BCA.

Admiral FERGUSON. Yes. While there has been adequate time to access the impacts of the BCA on the military, the BCA did not envision the confluence of a year-long CR and sequestration. Moreover, sequestration was never supposed to come to pass. It was the "forcing function" to arrive at a measured approach to a balanced budget. When it became clear that there would be no relief from sequestration and/or a Continuing Resolution, the military began planning for this contingency in earnest. The timing afforded to the military to deal with this confluence of events has been very short and is occurring in the middle of an execution year.

General AMOS. My understanding is that the BCA was passed according to our legislative processes. I am not aware of the information submitted to or considered by any individual legislator or committee and I would prefer not to speculate about whether the Congressmen and Congresswomen or committees would have considered that information sufficient.

General WELSH. The Department of the Air Force did not have direct input to the development of the Budget Control Act (BCA) of 2011. However, we recognize deficit reduction is a matter of national security and are committed to staying within the BCA's funding levels for the duration of the law, as enacted. That said, it would be most helpful to our Air Force if Congress would pass a defense appropriations bill, avoid sequestration altogether, and generally move back to regular order.

General GRASS. I am unaware of what opportunities existed for the Department to provide input or views before the passing of the BCA.

229. Senator LEE. Secretary Carter, Secretary Hale, General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, do you feel that a BRAC will be required in the next 5 years given the projected drawdowns in both force structure and manpower?

Secretary CARTER. I would refer to what Secretary Panetta said last week "We'll have to consolidate, obviously, in infrastructure and for that reason we will likely, again, propose that—that BRAC be put in place. We'll have to because you can't have a huge infrastructure supporting a reduced force."

The Department has limited authority to close and realign military installations absent a congressionally authorized BRAC round. As part of the fiscal year 2013 President's budget request, the administration asked Congress to authorize two new BRAC rounds in 2013 and 2015, but Congress did not act favorably on that request.

Our infrastructure must be sized to match our force structure and strategy, and BRAC has proven to be the best way to achieve that balance.

Secretary HALE. Yes. We believe we need to consolidate infrastructure in order to hold down costs, and infrastructure consolidation can only be effectively carried out if we have BRAC authority.

General DEMPSEY. Yes, as with industry, the Department should examine its infrastructure and eliminate excess where it makes sense. The BRAC process is not perfect, but I believe BRAC is a fair and comprehensive way to right-size the Department's footprint.

General ODIERNO. Yes. Army Active Duty component end strength is declining by 80,000 from a peak end strength of 570,000 (fiscal year 2010) to 490,000 by fiscal year 2017. With full sequestration at least an additional 100,000 soldiers will be reduced out of the Active Duty, National Guard, and U.S. Army Reserve. This is a significant reduction in the Army. Almost every installation will be affected in some way. Given that total facility square footage at Army installations have either remained constant or slightly increased since 2005, a reduction of 14 percent in end strength is likely to create excess U.S.-based installation infrastructure. A future round of BRAC is essential in order to Army identify excess infrastructure and prudently align supporting civilian personnel and infrastructure with reduced force structure and reduced industrial base demand.

The Army requires authority from Congress to close or realign installations in the United States above certain civilian employee thresholds (e.g. 10 U.S.C. 2687). At overseas installations (i.e., Asia and Europe), the Army is consolidating facilities already and congressional authorization is not required. The Army anticipates that a future round of BRAC, if authorized by Congress, would more closely resemble prior rounds of BRAC in which elimination of excess installation capacity was the main objective. BRAC allows for a systematic review of existing DOD installations for joint and multi-service component utilization.

Admiral FERGUSON. Navy supports a future BRAC round. BRAC offers the opportunity to objectively assess and make informed judgments regarding the future size of our infrastructure.

General AMOS. Yes, it is impossible for me to see how any aspect of the DOD budget would not have to bear some of the burden of sequestration. While I see this as essential for the Department, I do not foresee a requirement to reduce the Marine Corps base and station footprint. The magnitude of the fiscal reduction to DOD necessitates a look at every aspect of our operations, and in order to achieve some degree of balance, a reduction of bases and stations will likely have to occur. The Marine Corps represents a very small fraction of the overall DOD budget, and our expeditionary nature has resulted in a very lean footprint when it comes to bases and stations. For DOD as a whole, I think we must undertake a holistic review of the entirety of the DOD budget, and the closure of bases and stations must be a part of this review. Sequestration is driving the DOD to a level of funding in which nothing can be considered sacred and withheld from consideration; in an era of cuts to personnel, readiness, infrastructure, modernization, and forward presence, we simply cannot eliminate a reduction to bases from consideration.

General WELSH. Yes. In 2004, OSD's report to Congress stated the Air Force had excess infrastructure. BRAC 2005 eliminated very little of the excess infrastructure and since then the Air Force has retired hundreds of aircraft and reduced its manpower without the ability to make corresponding infrastructure reductions. Even if there are no further force or manpower reductions, the Air Force will need Base Realignment and Closure to provide the most effective and likely only method of bringing infrastructure in balance with strategy, force structure and fiscal capability.

General GRASS. I believe an objective review of DOD installations can provide critical information to inform national debates if there is a need for significant drawdown in installations. The Base Closure and Realignment Commission process provided a vital model that could be useful if similar conditions that prompted the original BRAC process arise.

230. Senator LEE. Secretary Carter, Secretary Hale, General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, what impact does the sequestration of the defense budget have on the F–35?

Secretary CARTER. The Under Secretary of Defense for Acquisition, Technology, and Logistics is working closely with the F–35 program office, the Services, and the contractor to preserve the development program to the maximum extent possible; keep Initial Operational Capability options open with Block 2B; support and sustain all delivered aircraft; and preserve production efficiencies and maintain production capacity to the maximum extent possible. However, at a minimum, sequestration reductions will decrease the fiscal year 2013 LRIP 7 quantities, increasing unit recurring flyaway cost. We would also see a decrease in investments in tooling, redesigns for out of production parts, and cost reduction initiatives. Additionally, if a furlough of government workers and the shutdown of military airfields on weekends were to occur, these would significantly slow the execution of the F–35 flight test and delay fielding of capability.

If sequestration were to occur as laid out today, the F–35 development program would lose approximately $325 million in fiscal year 2013. To preserve the block 2B software delivery date and all the block 2B capability, the program would have to defer some work being done on the block 3I/3F capabilities. This deferral would delay the fielding of our international partners' capability as well as the full warfighting capability for the U.S. Services.

Secretary HALE. The Under Secretary of Defense for Acquisition, Technology, and Logistics is working closely with the F–35 program office, the Services, and the contractor to preserve the development program to the maximum extent possible; keep Initial Operational Capability options open with Block 2B; support and sustain all delivered aircraft; and preserve production efficiencies and maintain production capacity to the maximum extent possible. However, at a minimum, sequestration reductions will decrease the fiscal year 2013 LRIP 7 quantities, increasing unit recurring flyaway cost. We would also see a decrease in investments in tooling, redesigns for out of production parts, and cost reduction initiatives. Additionally, if a furlough of government workers and the shutdown of military airfields on weekends were to occur, these would significantly slow the execution of the F–35 flight test and delay fielding of capability.

If sequestration were to occur as laid out today, the F–35 development program would lose approximately $325 million in fiscal year 2013. To preserve the block 2B delivery date and all the block 2B capability, the program would defer work being done on the block 3I/3F capabilities. This deferral would delay the fielding of our international partners' capability as well as the final full warfighting capability for the U.S. Services.

General DEMPSEY. In today's fiscal environment, we must carefully consider all options. As the largest acquisition in DOD history, many will see the F–35 as an attractive candidate for sequestration cuts. However, the U.S. military must be able to defeat anti-access, area-denial threats worldwide. F–35s bring maneuverability, survivability, advanced avionics and stealth technology attributes which support our new defense strategy. The Department supports the continued development and fielding of the F–35 as a large component of the Department's future airborne capability as well as an evolutionary successor for an aging legacy fleet.

General ODIERNO. I do not believe that sequestration of the Army's budget will directly impact the F–35 program. However, the F–35 program may be impacted as part of sequestration to the overall DOD budget, and those of the other Services.

Admiral FERGUSON. Sequestration will reduce the Navy's investment programs (about $7.2 billion) as well as O&M funding. This reduction will compel us to reduce the number of F–35s procured in fiscal year 2013 by at least four aircraft.

General AMOS. Immediate reductions in procurement will delay the Marine Corps' ability to transition out of legacy aircraft which extends the burden of their sustainment costs. Reductions in RDT&E funding will impact the integration and development of critical combat capabilities, to include Small Diameter Bomb II, Electronic Attack enhancements, deployable ALIS support system, and air-ship integration activities. For the Marine Air Ground Task Force, our Nation's force in readiness, diluted and degraded aviation capabilities will negatively impact the Marine Corps' ability to support the National Security Strategy as the country's crisis response force.

General WELSH. The Department is assessing the impacts to all acquisition programs, including the F–35 program, in the event that sequestration takes place. The Under Secretary of Defense for Acquisition, Technology, and Logistics is working closely with the F–35 program office, the Services, and the contractor to minimize the effects that sequestration would have on the F–35 program. The Department is prioritizing the following areas—Preserve the development program to the maximum extent possible; keep Initial Operational Capability options open with Block 2B; support and sustain all delivered aircraft; and preserve production efficiencies and maintain production capacity to the maximum extent possible. However, sequestration reductions will decrease the fiscal year 2013 Low Rate Initial Production (LRIP) 7 quantities by three to five Air Force Conventional Take Off and Landing (CTOL) aircraft, depending upon the sequestration assumptions we consider and the associated risk; this will increase unit recurring flyaway cost. We would also see a decrease in investments in tooling, redesigns for out of production parts, and cost reduction initiatives. Additionally, if a furlough of government workers occurs and the shutdown of military airfields on weekends occurs, this would significantly slow the execution of the F–35 flight test and delay fielding of capability.

If sequestration occurs as laid out today, the Air Force F–35 development program would lose approximately $176 million in fiscal year 2013 of RDT&E funds. Combined with the Department of Navy, the total fiscal year 2013 loss would be approximately $325 million in RDT&E funding. To preserve the block 2B delivery date and

all the block 2B capability, the program would defer work being done on the block 3I/3F capabilities. This deferral would delay the fielding of our international partners' capabilities as well as the final full warfighting capability for the U.S. Services.

General GRASS. Sequestration could delay or lead to a reduction of F–35 procurement which puts at risk Air National Guard active-association initiatives that are most cost-effective for fielding the next-generation F–35. If delays or reductions in F–35 procurement are substantial, then Air National Guard fighter force structure will not be recapitalized as aging F–16 aircraft exhaust their structural lives. Mitigation would include unplanned service life extension programs (SLEP) for aging, less-capable F–16 aircraft, at the expense of any savings realized from F–35 procurement delays or reductions and leaving the Nation with a less-capable, less enduring fighter force.

231. Senator LEE. Secretary Carter, Secretary Hale, General Dempsey, General Odierno, Admiral Ferguson, General Amos, General Welsh, and General Grass, what will the shift to the Pacific mean for your forces?

Secretary CARTER. Rebalancing toward the Asia-Pacific region is a whole-of-government approach for the United States and a key pillar of the defense strategy. For the Defense Department, the rebalance encompasses a focus on strengthening our regional defense relationships, building the capacity of key allies and partners, as well as maintaining the United States' ability to deter conflict and respond to any contingencies in the Asia-Pacific region. The rebalance also requires the Department to develop new concepts and capabilities in order to maintain a technological edge, our freedom of action, and the ability to project power in the region. That said, sequester-level reductions would require some very hard choices and, in principle, all elements of the defense program would be on the table.

Secretary HALE. Rebalancing toward the Asia-Pacific region is a whole-of-government approach for the United States and a key pillar of the defense strategy. For the Defense Department, the rebalance encompasses a focus on strengthening our regional defense relationships, building the capacity of key allies and partners, as well as maintaining the United States' ability to deter conflict and respond to any contingencies in the Asia-Pacific region. The rebalance also requires the Department to develop new concepts and capabilities in order to maintain a technological edge, our freedom of action, and the ability to project power in the region. That said, sequester-level reductions would require some very hard choices and, in principle, all elements of the defense program would be on the table.

General DEMPSEY. The rebalance is a whole-of-government effort, and it obviously involves more than just bringing more forces to the region. While this is a necessary component of the Defense Department's commitment to the rebalance, it is just a small part. The main effort of the rebalance is building and reinvigorating partnerships and relationships. We are paying more attention to the needs of the security environment in the Asia-Pacific; participating in more engagements with our increased forces to develop relationships, capabilities, understanding, and trust; we are also bringing quality to the region, ensuring that our most advanced capabilities are resident in and available to the region. Our forces are posturing to maintain the stability that has enabled unparalleled economic development, raised millions out of poverty, and contributed immensely to economic prosperity here at home.

General ODIERNO. As the transition in Afghanistan continues, the Army reinforces the defense strategy by engaging with the region's large armies across the broad spectrum of Army capabilities. The Army initiated a balanced approach in several ways:

(a) assigning more Army forces to U.S. Pacific Command than any other combatant command for fiscal year 2014;
(b) improving Army pre-positioned material in the region to build multilateral training collaboration opportunities;
(c) increasing Building-Partner-Capacity activities;
(d) building tailorable and scalable packages for Humanitarian Assistance/Disaster Relief and contingency operations in support of PACOM Commander.
(e) increasing the rank of the U.S. Army Pacific Commander to four-star general to allow comparable leverage with his regional land-power peers.

The Army supports the Republic of Korea (ROK) as the cornerstone of U.S. defense partnerships to field the necessary capabilities which enable the transition of wartime operational control to Korea. Beginning in fiscal year 2013, the Army is planning to provide a stabilizing but ready presence in the region by rotating select forces to the peninsula in support of peacetime and contingency response activities.

Sequestration and budget uncertainty, however, will inhibit the Army's ability to rebalance to the Pacific other than maintenance of its forces on the Korean peninsula.

Admiral FERGUSON. The Navy is renewing its emphasis in the Asia-Pacific region in four ways: The ship and air forces built and deployed to the region; the capabilities developed and fielded for the region; the intellectual capital applied to Asia-Pacific security challenges; and the homeporting balance of U.S. ships toward the Pacific Coast and the Asia-Pacific region. The Navy continuously reviews and assesses plans for reaching the goal of 60 percent Pacific homeports for the Fleet in 2020.

General AMOS. The Marine Corps is adjusting its force lay-down in the Asia-Pacific region to support the President's Strategic Guidance for DOD issued in January 2012. As our Nation is shifting its strategic focus to the Pacific, in many ways the Marine Corps is returning home to our historic backyard. We have a long history in the Pacific replete with many hard-won victories, so this area of the world is in our institutional DNA.

The Marine Corps is the premier expeditionary force in readiness—"the most ready when the Nation is least ready." We have begun our rebalance to the Pacific. As the Marine Corps draws down its forces in Afghanistan, we are resetting in stride, strategically balancing capabilities in Hawaii, Guam, Japan, and Australia so that we can train, exercise, and operate with allies and partners, and to be able to respond to crises and promote security cooperation across the region. Inter-theater lift is an essential requirement for mobility in the Asia Pacific Region. Given the vast distances in this area of the world, strategic maritime lift is necessary to provide our forward deployed forces with the required mobility and force projection to meet combatant commander requirements.

No forces are more suitable to addressing emerging strategic needs in the Pacific than naval amphibious forces. Naval amphibious forces can station off the coast and leave a temporary and light footprint when partnering or conducting humanitarian operations, or they can serve as an enabler for a larger joint force effort. A resumption of the Marine UDP in the Pacific has reestablished a key component of the Nation's stabilizing presence in the Asia-Pacific region. The establishment of a rotational presence of marines in Darwin, Australia has already had a positive impact on the confidence of our allies and our ability to respond to crises in the South and Southeast Asian littoral.

General WELSH. The strategic shift to the Pacific requires a high state of full-spectrum readiness and continued modernization. Twenty-two years of high OPTEMPO and combat operations have deterred our ability to focus on full-spectrum readiness for the A2/AD environment; it will take time and resources to recover. Sequestration will continue to sacrifice readiness and severely impact modernization efforts leading to unmanageable risk in the ability to execute national strategic guidance.

General GRASS. I see the proposed shift to the Pacific as an opportunity for the National Guard. We seek to be a full partner in the rebalancing of forces towards the Pacific.

232. Senator LEE. Secretary Carter, why did you wait until after sequestration was scheduled to kick in to ask each defense component to report proposed actions and implementation plans?

Secretary CARTER. I directed a start to early actions and implementation planning on January 10, 2013, almost 2 months before sequestration is currently scheduled to start. Moreover, over the past year we did a great deal of preplanning and communicated the fundamental problems sequester would cause repeatedly in speeches and testimony, both before and after we started planning. I felt that it was premature to order detailed budget planning much earlier—say, last summer as some have urged. As it turns out, that planning would have been largely wrong because it couldn't have taken into account the far-reaching effects of the Continuing Resolution and it would have had the wrong dates for the beginning of sequestration. Even though it would have been wrong, premature planning would have forced an early start to the degradation in morale and productivity, and the overall increase in inefficiency, that we are experiencing right now as we do detailed planning. Finally, no matter how much planning we do, or when we do it, the adverse effects of sequestration and the Continuing Resolution cannot be significantly offset. The only good solution is to detrigger sequestration and pass appropriations bills.

233. Senator LEE. General Grass, why does the National Guard feel the need to cut Senior Scout recently spending $300 million on modifications and upgrades?

General GRASS. The Air Force's rationale for the divestment of Senior Scout is based on its long-term airborne signals intelligence/linguist migration plan.

[Whereupon, at 12:06 p.m., the committee adjourned.]