

RECORD VERSION

STATEMENT BY

**GENERAL RAYMOND T. ODIERNO
CHIEF OF STAFF UNITED STATES ARMY**

BEFORE THE

SENATE ARMED SERVICES COMMITTEE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The strength of our Nation is our Army
The strength of our Army is our Soldiers
The strength of our Soldiers is our Families.
This is what makes us Army Strong!

I look forward to your questions.