

**HEARING TO RECEIVE TESTIMONY ON DEPARTMENT OF DEFENSE PROPOSALS RELATING TO MILITARY COMPENSATION**

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**TUESDAY, MAY 6, 2014**

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

The committee met, pursuant to notice, at 9:35 a.m. in room SH-216, Hart Senate Office Building, Senator Carl Levin (chairman) presiding.

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

Committee staff members present: Peter K. Levine, staff director; Leah C. Brewer, nominations and hearings clerk.

Majority staff members present: Jonathan D. Clark, counsel; Gerald J. Leeling, general counsel; Jason W. Maroney, counsel; Mariah K. McNamara, special assistant to the staff director; and John H. Quirk V, professional staff member.

Minority staff members present: John A. Bonsell, minority staff director; Steven M. Barney, minority counsel; Samantha L. Clark, minority associate counsel; Allen M. Edwards, professional staff member; and Ambrose R. Hock, professional staff member.

Staff assistants present: Daniel J. Harder, Brendan J. Sawyer, and Robert T. Waisanen.

Committee members' assistants present: Carolyn A. Chuhta, assistant to Senator Reed; Cathy Haverstock, assistant to Senator Nelson; Christopher M. Cannon, assistant to Senator Hagan; C. Patrick Hayes and David J. LaPorte, assistants to Senator Manchin; Patrick T. Day and Joshua Lucas, assistants to Senator Shaheen; Moran Banai, assistant to Senator Gillibrand; Ethan A. Saxon, assistant to Senator Blumenthal; Rachel H. Lipsey and David J. Park, assistants to Senator Donnelly; Nick Ikeda, assistant to Senator Hirono; Karen E. Courington and Mary A. Naylor, assistants to Senator Kaine; Stephen M. Smith, assistant to Senator King; Jeremy H. Hayes, assistant to Senator McCain; Lenwood A. Landrum, assistant to Senator Sessions; Bradley L. Bowman, assistant to Senator Ayotte; Peter W. Schirtzinger, assistant to Senator Fischer; Craig R. Abele, assistant to Senator Graham; and Charles W. Prosch, assistant to Senator Blunt.

**OPENING STATEMENT OF SENATOR CARL LEVIN, CHAIRMAN**

Chairman LEVIN. Good morning, everybody.

The committee meets this morning to review Department of Defense proposals relative to the growth of personnel costs. We welcome the Joint Chiefs of Staff to testify on these proposals, to explain why they support them, what their impact is on the force, and their impact on other areas of the defense budget.

Our witnesses on the first panel are General Martin Dempsey, Chairman of the Joint Chiefs of Staff; Admiral James Winnefeld, Vice Chairman of the Joint Chiefs of Staff; General Ray Odierno, Chief of Staff of the Army; Admiral Jonathan Greenert, Chief of Naval Operations; General Mark Welsh, Chief of Staff of the Air Force; General James Amos, Commandant of the Marine Corps; and General Frank Grass, Chief of the National Guard Bureau.

We will have a second panel consisting of non-government witnesses which I will introduce later.

It is not often that all the members of the Joint Chiefs of Staff testify before us at a single hearing. So it is not often that we have the opportunity to thank them as one group for the contributions that they and those that they lead make to the well-being of our Nation. Thank you, gentlemen. Thank you for the service of you and yours.

The distinguished nature of this panel reflects the importance of the questions before our committee this year. When we mark up the National Defense Authorization Act for Fiscal Year 2015 later this month, the decisions that we make on compensation, force structure, end strength, readiness, and modernization will have a far-reaching impact on the men and women of our Armed Forces and on the future of our military and our country.

The Department's 2015 budget request comes at a time of tremendous challenge and great uncertainty for the Nation and for the military. The Department of Defense faces a highly constrained fiscal environment in 2015. The \$496 billion top line for the Department remains the same from the funding levels in fiscal years 2013 and 2014 and remains more than \$30 billion below the funding provided to the Department in fiscal years 2010, 2011, and 2012. Sequestration has already taken its toll on training, readiness, and modernization, and sequestration threatens to return full blast next fiscal year unless, hopefully, we act to mitigate its impact before then.

These fiscal constraints have led the Department to propose a number of painful measures to reduce future expenditures. The budget before us proposes significantly lower end strengths for the ground forces through 2019, including a reduction of 50,000 more than had been previously planned in Active Duty Army end strength with smaller percentage reductions in the Guard and Reserve, as well as a reduction of over 16,000 in Active Duty Air Force end strength this year alone. The budget calls for retiring the Air Force's A-10 and U-2 aircraft, inactivating half of the Navy's cruiser fleet, reducing the size of the Army's helicopter fleet by 25 percent, and terminating the Ground Combat Vehicle program. Those are among other cuts.

If the budget caps in law remain in effect in fiscal year 2016 and beyond, the Department has informed us that, among other cuts,

it would request further reductions in end strength, the retirement of the entire KC-10 tanker fleet and the Global Hawk block 40 fleet, reduced purchases of Joint Strike Fighters and unmanned aerial vehicles, the inactivation of additional ships, and the elimination of an aircraft carrier and a carrier air wing.

The legislative proposals that we are considering this year include a number of measures relative to military pay and benefits, and that is what we will be discussing here this morning. These include setting a pay raise for servicemembers below the rate of inflation, freezing pay for general and flag officers, limiting increases in the housing allowance below the rate of inflation, reducing the subsidy to commissaries, and making changes to TRICARE that would result in increased fees and cost-shares for most non-active duty beneficiaries. In all, these pay and benefit proposals would result in savings to the Department of over \$2 billion in fiscal year 2015 and more than \$31 billion over the Future Years Defense Program.

General Dempsey and his senior enlisted advisor, Sergeant Major Bryan Battaglia, recently wrote to this committee that “these difficult choices will reap large savings over time to address the growing imbalance in our accounts, allow us to invest in combat readiness and force modernization, and still enable us to recruit and retain America’s best.” The letter went on that “delaying adjustments to military compensation will cause additional, disproportionate cuts to force structure, readiness, and modernization.”

Now, we surely must do all that we can to minimize the adverse effect of the personnel proposals. But as long as the statutory budget caps remain in place, we do not have the option of simply rejecting the compensation proposals. Under the statutory budget caps, we would then have to make alternative cuts.

I look forward to, as we all do, to the testimony of our witnesses. And again, we thank you all and those with whom you serve for your great service to our country.

Senator Inhofe.

#### **STATEMENT OF SENATOR JAMES M. INHOFE**

Senator INHOFE. Thank you, Mr. Chairman.

Over the last decade, our Nation has depended upon the courageous service and sacrifice of our military members and their families for its security. In return, we have steadily increased their pay and benefits, and rightly so. We should be proud of this. It is exactly what we should do for those who risk their lives to keep us safe.

However, misguided fiscal priorities of the Obama administration and the runaway entitlement spending have forced massive cuts to national security spending such as we have never seen before. These cuts have driven our military into a readiness crisis. Squadrons have been grounded. Ships have been tied to piers. Training rotations for ground forces have been cancelled while much needed modernization programs have been delayed or cancelled. We all know this.

Retired Navy Admiral John Harvey recently said that we are sending the wrong signal to the force that is serving today, the one that fought two wars in the last decade, and the force we are de-

pendent upon to re-enlist tomorrow. We are telling them they just cost us too much, that they constitute a ticking time bomb, and that their sacrifice is eating us alive. We are telling them that we are looking for a way out of fulfilling our commitments to them. This is not the right signal to send those who volunteered to serve in time of war.

I think the chairman did a good job of listing the systems that we have that we are no longer going to be able to keep. The effects of these cuts are undermining the military's ability to protect the Nation. Our military leaders have painted a stark and troubling picture of this reality. Because of misguided fiscal priorities, we are now being forced to make false choices between paying our troops and their families what they deserve and giving them the training and capabilities required to accomplish their mission and return home safely to their loved ones. This is an irresponsible and reckless choice. If we spent what I think is necessary on national security, we would not be in the mess that we are in today.

So I am looking forward to hearing from our witnesses.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you very much, Senator Inhofe.

General Dempsey, welcome.

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

General DEMPSEY. Chairman, thank you and Ranking Member Inhofe and other distinguished members of the panel.

You are right, Chairman, we do not often appears as a group before you and, in particular, with our senior enlisted leaders right behind us. What I would like to do at the beginning here is since it is unlikely we will see you as a group in your role as chairman between now and the end of the year—at least I hope not—we would like to thank you very much for your steadfast and passionate support of America's Armed Forces, the men and women who serve and their families. So thank you.

Chairman LEVIN. Thank you very much, General.

General DEMPSEY. I want to thank you all for the opportunity to discuss military pay and compensation, but as you mentioned, this is only one part of a much broader effort to bundle reforms in order to keep ourselves in balance. This particular issue, pay and compensation and health care, is an important and deeply personal issue for our servicemembers and their families.

As I have testified in the past, we are working to make sure that the joint force is in the right balance to preserve military options for the Nation in the face of a changing security environment and a declining budget. We have been tasked to reduce the defense budget by up to \$1 trillion over 10 years while upholding our sacred obligation to properly train, equip, and prepare the force. This requires carefully allocating our resources across the accounts, restoring the readiness we have already lost, and continuing to make responsible investments in our Nation's defense.

As I have testified before, this requires certainty. It requires time and it requires flexibility. While we have a degree of certainty in our budget for the next 2 years—really for this year—we still do not have a predictable funding stream nor the flexibility and time

we need to reset the force for the challenges ahead. We cannot do this alone. Our recommendations have lacked congressional support, notably our request to reduce base infrastructure and retire weapon systems that we no longer need and cannot afford.

In the meantime, we are continuing to hemorrhage readiness and cutting further into modernization. Risk to the performance of our mission and risk to those who serve continues to grow.

As one part of a broader institutional reform, the Joint Chiefs, our senior enlisted leaders, and select mid-grade level leaders have examined pay and compensation options for more than a year. We support the three Department-wide principles guiding our proposals to rebalance military compensation.

First, we are not advocating direct cuts to troops' pay. Rather, this package slows the growth of basic pay and housing allowances while reducing commissary subsidies and modernizing our health care system.

Second, we will ensure that our compensation package allows us to continue to attract and retain the quality people we need. If we step off on this path—and we will watch the way the force reacts, and if it reacts, we will be back to you with recommendations on how to adjust, but we have to take that step.

And third, the savings will be reinvested into readiness and into modernization.

In all cases, we will continue to prioritize our efforts that focus on wounded warriors and on the mental health challenges facing our force.

We have not requested any changes to military retirement, as you know. We are awaiting recommendations from the Military Compensation and Retirement Modernization Commission expected in February 2015. But to be clear and to restate it, we do support grandfathering any future changes to the retirement program.

We are seeking \$31 billion of savings in pay, compensation, and health care over the future years defense program. If we do not get it, we will have to take \$31 billion out of readiness, modernization, and force structure over that same period. Delaying the decision until next year will likely cause a 2-year delay in implementation, which would force us to restore approximately \$18 billion in lost savings.

In short, we have submitted a balanced package that meets budgetary limits, enables us to fulfill the current defense strategy, and allows us to recruit and retain the exceptional talent that we need. Our people are our greatest strength, and they do deserve the best support we can provide.

As leaders, we must also exercise proper stewardship over the resources entrusted to the Department. We have enough information to make these changes now. We remain committed to partnering with Congress to make these and other difficult choices facing us.

Thank you.

[The prepared joint statement of the General Dempsey, Admiral Winnefeld, General Odierno, Admiral Greenert, General Welsh, General Amos, and General Grass follows:]

Chairman LEVIN. Thank you very much, General. Admiral?

**STATEMENT OF ADM JAMES A. WINNEFELD, USN, VICE  
CHAIRMAN OF THE JOINT CHIEFS OF STAFF**

Admiral WINNEFELD. Chairman Levin, Ranking Member Inhofe, distinguished members of the committee, thank you also for the opportunity to appear today.

I would like to add some additional context to Chairman Dempsey's introduction.

I think it is important to recall that in the 1990's military compensation had fallen to a deeply unsatisfactory level relative to the rest of the working population in America. With the help of the Congress, we took action to close that gap which involved raising the trajectory of our compensation well above inflation. Those increases worked.

In 2001, U.S. median annual household income equated to the direct pay of an average E-7. Today it is roughly equal to the direct pay of the average E-5 and trending towards the average E-4 who now surpasses the U.S. median annual household income about 8 to 10 years earlier in his or her career than before and also receives health care, family services, leave, educational benefits that well surpass the civilian sector, along with the potential for a generous retirement. In the process, this E-5 has moved from being in the 50th percentile of civilians with comparable education and experience in 2000 to being around the 90th percentile today.

I do not think any of us at this table would say our people are overpaid, and we would love to be able to maintain that level of compensation. But if our joint force is to be sized, modernized, and kept ready to fight, we are going to have to place compensation on a more sustainable trajectory. We do not want to return to the 1990s. We are only asking for gradual adjustments to ensure we can recruit and retain the best our Nation has to offer while doing everything else that is required to fulfill our obligation to protect the United States within the means we are given.

These changes would only account for about 10 percent of our planned cuts within an area that accounts for fully one-third of our budget. The other 90 percent of our cuts are going to come out of the other two-thirds of our budget that buys things.

We have carefully thought through every one of these recommendations over the course of many meetings. Even though they are fair and they are gradual, there is still some disinformation out there. For example, some say we are cutting pay. That is not true, as Chairman Dempsey said. We quickly eliminated any proposal such as reducing the overseas COLA that would do that.

Others say we are trying to renege on promised health care benefits. Again, not true. We are actually trying to simplify a bewildering system while incentivizing our people to help us contain costs. We will continue to provide the same high quality health care to our troops and our retirees, and it will continue to be free to those on active duty.

Still others say a 1 percent pay raise is not fair when the employment cost index is going up at about 1.8 percent. But I would point out that our DOD civilians have just been through 3 years of no pay increase, and they just received 1 percent this year.

Finally, some are also suggesting that we want to close all State-side commissaries. We have never considered that in any meeting

that I have ever attended. In fact, we believe our commissaries are an important part of the benefits we offer our families. But we want those stores to have to work as hard as our unsubsidized exchanges in providing a good deal for our people. We think DECA can find at least the first year's savings through efficiencies, not price increases, especially since we exempted them from the 20 percent staff cuts that everyone else is taking.

Congress should also repeal legislation apparently lobbied for by the food industry that prohibits the sale of generics at our commissaries which takes money right out of our people's pockets. It really does. I recently bought a generic bottle of ibuprofen at a post exchange, which is not prohibited from carrying generics, at a 73 percent savings over the brand name that the commissary is required to carry right next door. Efficiencies in generics could easily offset the savings we are asking for in 2015 from our commissaries, savings that will enhance the combat readiness of our warriors that they count on us to provide.

Now, we were not confirmed for these positions by the Senate to only make the easy choices. We have to make the hard ones too, choices that have only gotten harder with recent budget cuts. And we need your support. My service colleagues will now describe what will happen if we do not receive that support and we have to ask our young men and women to fight with \$31 billion worth of a smaller, less modern, less ready force.

Thank you again for the opportunity to speak today, and I look forward to hearing your views and your questions. Thank you.

Chairman LEVIN. Admiral, thank you so much.

General Odierno?

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

General ODIERNO. Thank you, Chairman Levin, Ranking Member Inhofe, all the other committee members. It is always a pleasure to be here to discuss these important issues.

I have had the privilege to lead our men and women of all services in both peace and war. I have witnessed firsthand their selfless service, dedication, and sacrifice. The all-volunteer Army has performed phenomenally during the longest conflicts in our Nation's history. But it is imperative we discuss and understand the appropriate level of compensation not only to recognize the sacrifice of our soldiers and their families, but to ensure we sustain the premier All-Volunteer Force.

Pay and compensation benefits must remain competitive in order for us to recruit and retain the very best for our Army and the joint force. However, pay and compensation must be balanced, along with end strength, readiness, and modernization of our force. Thus, it is necessary that we take a comprehensive look at every aspect of our budget.

I fully endorse these Department of Defense proposals that do not directly cut our soldiers' pay but slows the rate of growth from any allowances that are simply unsustainable.

Additionally, it is essential that we gain more efficiencies in our commissaries and our health care, specifically TRICARE. I believe the proposals recognize the incredible service and sacrifice of our

soldiers and their families by allowing us to better balance future investments in readiness, modernization, and compensation. These are difficult but necessary decisions.

Taking care of soldiers is not just about providing them competitive pay and compensation benefits. It is also about having the right capacity in order to sustain a reasonable personnel tempo, invest in the most modern equipment, and maintain the highest levels of training readiness.

If the Army does not get the \$12 billion in compensation savings over the POM, we will have to look at a further reduction in end strength, lower our overall readiness posture, and slow even further our current modernization programs. It is my opinion that if Congress does not approve our compensation recommendations, then you must end sequestration now and increase our top line.

We must keep in mind that it is not a matter of if but when we will deploy our joint force to defend this great Nation. We have done it in every decade since World War II. It is incumbent on all of us to ensure our soldiers are highly trained, equipped, and organized. We must balance our resources effectively to do that. If we do not, our soldiers will bear the heavy burden of our miscalculations on the battlefield.

I am proud to wear this uniform and represent all the soldiers of the United States Army. Their sacrifices have been unprecedented over the last 13 years. We must ensure we provide them with necessary resources for their success in the future.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you very much, General Odierno. Admiral Greenert?

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

Admiral GREENERT. Thanks, Chairman Levin, and many thanks to you and Barbara for your service through the years. We appreciate it.

Senator Inhofe and distinguished members of the committee, I am proud to represent 633,000 sailors, Navy civilians, and their families and especially the 50,000 sailors deployed around the globe today, along with their fellow marines. Their dedication and resilience continue to inspire me, and our citizens can take great pride in the daily contributions of their sons and daughters in places that really matter.

When I appeared before you in March, I testified that we were compelled to make some difficult choices in our Pres Bud 15 submission. 90 percent of the reductions in our Pres Bud 15 submission focused on procurement, force structure, and modernization, as well as overhead reduction, contract efficiencies, and buying smarter. The area of last choice that we addressed in the budget was cost growth of our pay and compensation.

Now, for over a year, as the chairman mentioned, the Master Chief Petty Officer of the Navy, who is with me today, and I traveled around the fleet and bases, and we listened to our sailors and families, especially those who would be most affected by these proposed changes, both the increases and the decreases. The vast majority of our sailors and families told us that they believe their total



compensation package matches well with and in some cases exceeds their civilian counterparts.

But let me be clear. I do not believe our sailors are overpaid, nor do they believe that. Our sailors and families are not enthusiastic about a compensation reform, but they were clear to us that their quality of service, their work environment needs to improve. They understand that in this fiscal situation we face hard choices. We cannot have it all. The reality within this given budget, the one that we have been given, is we cannot sustain our current personnel costs trajectory, and we need to address this problem sooner than later.

Today our total force personnel costs consume about 40 percent of our given budget, and that is up from 32 percent in 2000. That share continues to rise. In fact, since 2001, we reduced Navy's end strength 60,000 sailors, but the growth in personnel costs alone consumed 60 percent of those savings. In other words, although the Navy manpower has shrunk significantly, at the same time we reduced 25 ships in our inventory, our personnel costs have spiked. And that has been a burden in our ability to balance our investments.

The Department's compensation reform proposals would generate savings to the Navy of \$123 million in 2015 and \$3.1 billion over the FYDP. We would intend to reinvest any and all of these savings into these sailor quality-of-service enhancements and that includes increasing sea pay and critical skills incentive pay to assure retention, improving 30 barracks, training buildings, morale welfare and recreation and fitness centers, constructing barracks, fitness centers, and trainers, providing schools and travel for about 7,500 sailors, purchasing tactical trainers and simulators, purchasing spare parts, improved tools, and providing more maintenance opportunities. All of these reinvestments would address the disatisfiers that I mentioned, our sailors' quality of their service. They are designed to help sailors get their jobs done effectively and safely while addressing our critical man, train, and equip challenges.

If the Congress denies authority for all the compensation savings, however, Navy would be force to back out this \$3 billion of sailor quality-of-life improvements, and we would also face an additional \$4 billion resulting from pay raises reverting to the employment cost index. That would compel us to reduce readiness, shipbuilding, and aircraft procurement even further. We cannot afford the equivalent of another basically \$7 billion bill. Our Navy would be less ready, less modern, and less able to execute the missions outlined in our Defense Strategic Guidance and the Quadrennial Defense Review.

Mr. Chairman, this is a tough decision, but it is also an opportunity. Not seizing the initiative now means billions of dollars of additional costs on other programs that we can ill afford. And given our current situation, I think it is necessary to better balance our sailors' needs to ensure our Navy remains forward and, more importantly, ready where it matters when it matters.

I look forward to your questions.

Chairman LEVIN. Admiral, thank you so much.

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 an honor to be here, especially with the members of this panel.

And, Mr. Chairman, might I add from all the men and women of our Air Force thank you for your distinguished service to this country.

Chairman LEVIN. Thank you.

General WELSH. You are a statesman, sir, and you have the respect and admiration of everybody on this panel.

Chairman LEVIN. Thank you.

General WELSH. For the past 23 years, U.S. airmen have maintained an extremely high operations tempo deploying routinely alongside their joint partners to the Middle East, nonstop since Operation Desert Storm ended in 1991, and they performed spectacularly well. I believe they have earned every penny they have made. And you have been remarkably supportive in increasing their pay and benefits over time.

But today we are in a precarious position. Per capita costs for an airman have grown over 40 percent since 2000. last year, our readiness levels reached an all-time low. As we struggle to recover, we do not have enough units ready to respond immediately to a major contingency, and we are not always able to provide fully mission-ready units to meet our combatant commanders' routine rotational requirements.

Our modernization forecasts are also bleak. Roughly 20 percent of our aircraft were built in the 1950s and 1960s. Over half of the others were built more than 25 years ago. And now, due to sequestration, we have cut about 50 percent of our currently planned modernization programs.

And we cannot ignore the fact that the law, as currently written, returns us to sequester-level funding in fiscal year 2016.

This has forced us into some very difficult decisions. Pay and compensation reform is one of those very tough decisions. No one takes this lightly, but we feel it is necessary to at least try and create some savings. If we are not willing to make some tough calls, our Air Force will be neither ready to fight today nor viable against the threats of tomorrow.

My most sacred obligation as Chief of Staff of the Air Force to my airmen is that when we send them to do difficult jobs in dangerous places, that they are prepared to succeed and to return home safely. Although slowing the rate of pay increases, gradually reducing BAH rates relative to the market, reforming TRICARE, and reducing commissary subsidies will certainly hurt, what my secretary and I owe the Nation, the joint team, and our airmen more than anything else are the training and tools necessary to fight and win and survive.

If the proposed compensation reforms are rejected, the Air Force will be forced to cut \$8.1 billion from readiness, modernization, and infrastructure accounts over the next 5 years. We will take significant cuts to flying hours and weapon system sustainment accounts, reduce precision munitions buys, and lower funding for training ranges, digging our readiness hole even deeper. We will likely have

to cancel or delay several critical recapitalization programs. Among those probably impacted would be the combat rescue helicopter and the TX trainer. Abandoning the TX program would mean that future pilots will then continue to train in the 50-year-old T-38. We will also be forced to cut spending on infrastructure beyond the \$5 billion we have already recommended to cut over this FYDP.

Of course, these cuts would be on top of the difficult recommendations we have already made, some of which the chairman mentioned this morning, lowering our end strength by nearly 17,000 airmen next year, divesting the entire A-10 and U-2 fleets, and if sequester-level funding returns, divesting the KC-10 fleet as well.

None of these options are good ones, but we are simply out of good options. It is time for courageous leadership. We simply cannot continue to defer every tough decision in the near term at the expense of military readiness and capability over time. We need your help.

Chairman LEVIN. Thank you very much, General.  
General Amos?

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

General AMOS. Chairman Levin, Ranking Member Inhofe, and members of the committee, the current period of fiscal austerity has exacerbated an imbalance across the Marine Corps' budget. I nor my fellow Service Chiefs and, more importantly, the men and women who wear our service's cloth, those who have served our Nation so faithfully did not set the conditions for the fiscal calamity that we find ourselves in.

As Service Chiefs, we are obliged to live within the budget and the laws passed by Congress. Senators, none of us like where we find ourselves today. We have spent a greater part of a year restructuring each of our Services under the cold reality of a fully sequestered budget. While the Bipartisan Budget Act provided much needed relief in 2014 and 2015, I am advised by many of your colleagues in Congress to expect to return to full sequestration in 2016 and beyond.

We have made difficult choices—all of us have—as we have attempted to build a balanced and combat-ready force. We have restructured and downsized our services to live within our means. We have done all of this knowing full well that the world that we live in is a dangerous one, an international landscape that is simply getting more challenging as each day goes by. I see no indication there will be a peace dividend once we complete the mission in Afghanistan later this year. Mr. Chairman, we will not do less with less in the decade to come. We will do the same with less.

From a personnel perspective, our men and women have been compensated appropriately for their many sacrifices over the past decade of war. I make no apologies for that. They have deserved every penny that Congress has afforded them. They have faithfully fought our Nation's battles, all while successfully keeping the enemies of America far from our shores.

Because of my loyalty to them, there is much about today's discussion on compensation reform proposals that frankly I do not

like, but I am stuck with them. I am stuck with them because I have raided every other pot of money available to me to pay for a ready Marine Corps. As a Service Chief, I am first and foremost responsible for the defense of our Nation. That task comes before all others. It is the sole reason why America has a Marine Corps.

To accomplish this, the Marine Corps must maintain a high state of readiness. That is accomplished by having combat units that are highly skilled and highly trained. It is done by having the right equipment in the hands of warriors who may be headed into harm's way. The most important way that we can keep faith with our men and our women is to send them into combat with the best possible training and the freshest of equipment and to take care of them then when they come home.

My challenge lies in balancing readiness, manpower, and modernization, all under the umbrella of sequestration. Our goal of consistently fielding a highly trained and combat-ready crisis response force for America is pressurized by a military personnel account that has grown to 63 cents of every appropriated dollar. Balanced against readiness requirements and an anemic military construction account, the Marine Corps' modernization and investment accounts comprise a mere 8 percent. 8 cents on the dollar. This is the lowest it has been in well over a decade.

At the end of the day, I am ultimately responsible for taking care of the marines, the sailors, and our families. This includes ensuring our people are well compensated for their service while also afforded the best training and equipment available to fight and win our Nation's battles. For marines, their quality of service is as important as their quality of life. They understand that they must be prepared for uncertainty, and they must be prepared for their next mission.

Thank you for the opportunity to represent your Marine Corps and its men and women. I thank the committee for your continued support and I stand prepared to answer your questions.

Chairman LEVIN. Thank you so much, General Amos.  
General Grass?

**STATEMENT OF GEN FRANK J. GRASS, ARNG, CHIEF OF THE  
NATIONAL GUARD BUREAU**

General GRASS. Chairman Levin, Ranking Member Inhofe, distinguished members of the committee, it is an honor for me and Chief Brush, my senior enlisted advisor, to be here today representing the men and women of the National Guard.

The men and women of the Guard serve with distinction as a primary combat Reserve of the Army and Air Force. We are also the first military responders on site in times of domestic crisis.

I echo the concerns of the Chairman and my colleagues regarding the critical need to achieve fiscal balance across the joint force. Future fiscal challenges will dramatically constrain decision-making about the size, shape, and rolls of our military. This certainly will be the case when the Budget Control Act funding levels return in fiscal year 2016. Therefore, it is important that we act now.

Despite the Guard accounting for only 8.4 percent of the defense compensation and benefit budget, these proposals will significantly impact operational guard. The guard we have today is equipped,

trained, and tested over the past 12 years of combat. Modest investment keeps your Army and Air National Guard ready. But if we do not act now to rebalance military compensation, we risk future training, readiness, and modernization cuts across the joint force.

Our success is unquestionably due to our most important resource, our people. Every servicemember, Active, Guard, and Reserve, deserves the best we can provide within a fiscally sound solution. I believe the proposal before you provides the level of compensation and is consistent with a ready and modern force.

Mr. Chairman, Senators, the National Guard has been and will remain always ready, always there.

Thank you and I look forward to your questions.

Chairman LEVIN. Thank you so much, General.

I think we have a good turnout here. We also have a vote at 11 a.m. One vote I believe. Let us start with a 6-minute first round.

A number of you have mentioned the impacts of these budget caps and the impacts of sequestration. These are legislatively required, but we need to do something about them. I can assure you and members that we will have an opportunity to do something about the looming sequestration for the next fiscal year. I hope we take that opportunity. In the meantime, as you all put very well and very clearly, we have to live with the current year's budget caps, and that is what you are trying to help us do with your recommendations.

By the way, I believe, Admiral, you mentioned something about generics in our commissaries. We are going to check that one out. We do not think that the law requires it. We think that the commissaries have to be competitive, and so we are going to try to find the origin of that additional cost to our men and women in uniform.

We have a budget in front of us which must meet the caps in law. We have no choice. And again, if we do not adopt these particular reforms or some of them, we are going to have to make up for it with reductions somewhere else, and the somewhere else has taken a bit hit already, as you have pointed out, our readiness, our modernization. We have the responsibility of being law-abiding and we have the responsibility to the security of this country. We are going to do the very best that we can to accomplish both goals.

Chairman Dempsey, you have mentioned what the impact would be if we delayed these kind of changes. Can you be a little more specific? You said it would be a 2-year delay, for instance, if we waited the final report of the Military Compensation and Retirement Modernization Commission. Why would that be a 2-year impact? And be a little more detailed as to why you believe, as you have testified, that you have sufficient information now to make these recommendations even though when it comes to the retirement issues, you believe that we can delay any changes in that until that commission reports.

General DEMPSEY. We believe it will be a 2-year delay because the commission will not report out until February of 2015, and that is inside of our decision cycle for the submission of the budget. So waiting until February seems to us to make it clear we would actually have to move along with 2 years at our current state and pre-

vent us from making the changes that we know we need to make right now.

Chairman LEVIN. In terms of your preparation and recommendation, it would be a 2-year delay, but from the congressional perspective, we would have time in the next fiscal year, if we get those recommendations in February, to take those recommendations into account. Is that correct?

General DEMPSEY. It seems to me that is correct. I know less about your process than I do about our own, and preparing the budget, as you know, to justification book level of detail is a pretty remarkable enterprise every year. And by the way, for the past few years, we have had to prepare budgets against alternative futures. So I would be surprised if you could act that quickly on a recommendation that came to you in February.

But more importantly, to the second part of your question, we have spent the better part of a year analyzing direct and indirect compensation with the team that you see here represented here today and our programmers. And we believe that the recommendations we have made—we can articulate what the impact would be at various grade levels, an E-5, an O-5, both what it would do to them today and what it would do to them across the course of a career. And we have all the information we need, and we have actually provided it. And we are ready to move on it because we need that \$18 billion.

Chairman LEVIN. You have taken steps, you have assured us, to consult with others in making these recommendations, including your senior enlisted personnel.

General DEMPSEY. We have, sir.

Chairman LEVIN. I would just say this that they are all sitting here behind you, I believe you have told us, and we again give special thanks for their service as well. But I would just invite them, any of them, to personally contact me if in fact they do not agree with any or all of these cuts. It is very difficult for us to ask them here today or to put them on the spot generally. But it is important that we hear from them. I would assure them that I would keep the privacy of their remarks, and I would assure them to the best of my ability in guaranteeing that privacy and anonymity, share them with my colleagues to the best I could. But I would welcome any personally delivered comments from those senior enlisted personnel to me.

General DEMPSEY. Sir, if I could. They did testify before the Personnel Committee. I will also attest to the fact that there is not a bashful one among them, and you do not have to ask for their views. They will provide them and they are free to do so.

Chairman LEVIN. Well, we welcome that and I am sure our Personnel Subcommittee would also welcome any privately delivered comments that might differ from their testimony or from your testimony. Thank you very much.

Senator Inhofe.

Senator INHOFE. Thank you, Mr. Chairman.

Not a bashful one among them. Let us see how bashful they are here.

First of all, a lot of us have seen this coming, and I know we do not talk about it very much, but when we see money that otherwise

should have gone into our military, into our defense, we see the construction of the biofuel refineries, \$160 million. We see the Navy purchased the green fuel at \$26 a gallon, which could be purchased on the market for \$3 a gallon. The climate change initiatives have gone up now \$120 billion since President Obama has been in office. I commented the other day, General Welsh, that for the \$120 billion we could buy 1,400 new F-35s. Food stamps, \$42 billion additional every year.

So I would like to ask you in this climate—and I am going to submit for the record, because there is not time to read them all, all of the quotes from everyone, up to and including Secretary Hagel, about the dilemma that we are in and the fiscal situation that we are in right now.

[The information referred to follows:]

[COMMITTEE INSERT]

Senator INHOFE. Could each one of you briefly describe something in concrete terms that this fiscal climate means in terms of what your service will not be able to do to adequately train men or women, to deploy them, and bring them safely home? I would like to have some specifics. If you cannot do it now, I would like to get that for the record. Would any of you, General Odierno, have any specific thing that you would want to do that you are going to have to sacrifice doing in terms of training?

General ODIERNO. Well, Senator, thank you.

Beginning first in 2015, we have to reduce home station training. It all affects the collective level of training, which is the most important for our forces, and it is the ability to synchronize and integrate air, ground, and the many different types of maneuver that we have to do in case we have to respond, whether it be in Korea, whether it be in the Middle East, whether it be in Europe. And so we have had to cut back on this training. So what that means is we have less capability and readiness levels than we would like to have in case we are asked to deploy.

This will continue to exacerbate itself in 2016 and 2017 and 2018 until we get our end strength down to a level that would enable us to balance, and that will not happen until about fiscal year 2020.

If we do not get these, we now add another \$12 billion bill that I have to find. So that means we might even have to take more end strength out. And I have already testified to the fact that I do not believe we have enough end strength now if we go to sequestration in order to meet our National security needs. And so this will further exacerbate this problem.

Senator INHOFE. General Welsh, can you think of anything specific in terms of grounding of units?

General WELSH. Senator, last year was a pretty good example of what sequester-level funding will do to our Air Force. We grounded about a third of our combat squadrons. We cancelled Red Flag exercises, both U.S. Red Flags and coalition Red Flags, which is the full spectrum, high end part of training for the United States Air Force. It is what separates us from other air forces. It is where we integrate with the other services and with ground forces and with our allies. We cut weapon school classes where we develop our Ph.D. warfighters. All the things that take us from doing low inten-

sity work to being able to fight a full spectrum fight were affected dramatically.

Senator INHOFE. Yes. I think we saw after the grounding of the squadrons that the cost of getting them back to a state of readiness, as well as the equipment that was grounded with them, exceeds the amount that would have been saved at that time. Is that accurate?

General WELSH. Senator, that is accurate.

Senator INHOFE. Anybody else? Yes, sir.

Admiral GREENERT. Senator, when you and I discussed this at my posture hearing, you were down in Norfolk. You talked to our people, and they said these long deployments are killing us.

Senator INHOFE. Yes.

Admiral GREENERT. The problem is if somebody is deployed and we need another carrier to deploy due to a contingency in Syria or the issues in Europe, those that are out there now have to stand that watch because we do not have the response force for a contingency that we would normally have. The folks are not trained up to do that. It takes longer to train them up to deploy. So we are kind of deploying just on time. We need a better contingency force to deal with the contingencies today.

Senator INHOFE. Okay, I appreciate that.

General Amos, anything specific that comes to your mind that you cannot do now in terms of preparing properly these kids?

General AMOS. Senator, we have made decisions, as you know, to move money into training and readiness of our units. So those units are at a fairly high state of readiness and will be so for the next 2 years. To do that, though, we pulled money out of all our other accounts to include procurement. That is where we are feeling the pinch right now. We have \$983 million total to reset the Marine Corps and modernize the Marine Corps for this year. That is less than 4 percent of our entire total budget. So we are feeling it in the modernization, Senator, because we have paid the bill for readiness and training out of that account.

Senator INHOFE. Yes, and I bring this up because I know this is a hearing on compensation, but if you change that, that does not happen in a vacuum and it cannot be at the expense of our training and, as you say, our modernization.

My time is about expired, but in terms of our combat readiness codes, C-1, C-2, C-3, and C-4, because we have already experienced some losses in terms of our readiness capability, how are we doing now on those that we were deploying, General Odierno? They should be C-1 when they are deployed. Is that correct?

General ODIERNO. That is correct.

So we made progress in 2014 because of the Bipartisan Budget Agreement. So we are beginning to increase the readiness of our brigade combat teams, and we have added about four to five more brigade combat teams.

Senator INHOFE. And are they all either C-1 or C-2?

General ODIERNO. They are C-1 or C-2. The problem is in 2015 and 2016, that goes down again because of the sequestration. If we lose what we have asked in the compensation savings, that will bring the readiness down further. So it will impact readiness in the out-years significantly.



Senator INHOFE. Readiness, risk, lives. Right?

General ODIERNO. That is right.

Senator INHOFE. Thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator Inhofe.

Senator Reed.

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

Thank you, gentlemen.

General Odierno, you are, I think for the first time in decades, actually involuntarily separating personnel this year, and that will continue if some of these savings are not realized. Is that a fair judgment?

General ODIERNO. That is correct, Senator. We are involuntarily separating captains, majors, lieutenant colonels, colonels, and also non-commissioned officers. It is also the first year that people who are eligible to re-enlist will not be able to re-enlist because of the reduction in the size of the Army.

Senator REED. So, you know, there are a lot of issues at play here, but we are already seeing the effects of these constrained budgets in terms of the opportunities of people who are competent, capable in their ability to serve until at least retirement and to retire.

General ODIERNO. That is correct, Senator.

Senator REED. And some of these savings, if they are realized, will help alleviate that pressure. It will not end it, but it will help alleviate that pressure.

General ODIERNO. It will not end it, but it will help alleviate it. If we do not get it, it will increase.

Senator REED. Accelerate.

General ODIERNO. Right.

Senator REED. Admiral Greenert, we talked about the savings. Let us assume for the moment you get some savings. How would you apply them this year? In what specific programs could we see with general savings applications?

Admiral GREENERT. Getting those savings the first year, it would be career sea pay and it would be special pays and allowances, incentive pays. And it would be increases to our base ops. Our ports shut down. They kind of run 9:00 to 5:00. So we want to keep them open so when ships complete training, they can come home Friday not go anchor out and then come in Saturday during daylight hours. That is 2015. That is about \$123 million right there.

In 2016, it is again starting to repair 30 barracks, buy trainers and simulators for small arms for our submarine trainers, for our surface trainers to put money in to get people to training, that is, travel money and trainers. And that is about 7,500 sailors that we just have backed up. This is the quality of their service, Senator, as I was saying. This is what they are asking. Spare parts.

Senator REED. And one of the points I think in Senator Inhofe's question to General Welsh is it is a more efficient use of resources too. Rather than keeping a ship just standing idle off port, to bring that ship in, let the crews see their family and let the ship be—

Admiral GREENERT. Yes, sir. Obviously, they will be happier. They are back home and their families waiting for them rather than just hanging out overnight waiting for the port to open.

Senator REED. This is a very difficult issue. I do not have to tell anyone around this table or at the witness table. There is one view and I think a reasonable view that there is no way you can pay these men, women, and their families for what they do. There is no benefit. There is nothing. But at some point, we have to make very difficult judgments about pay allowances, et cetera.

But one of the other impressions I have had is that really key to the morale and to the sense of service is training and having the best equipment. And ironically, we could be increasing compensation, but with poor training, poor equipment, et cetera, the morale and the satisfaction and the sense of pride of the service would deteriorate. Is that unreasonable, General Dempsey?

General DEMPSEY. No. It is absolutely correct, sir. I have said before and I believe it today as well that today's readiness problem is tomorrow's retention problem. If you came into this military to be a man or woman of action and go to sea and fly and train and you are sitting around watching your equipment or just simply maintaining it with no possibility of training on it, you are not going to stick around very long.

Senator REED. My experience is limited, but it was that good training was one of the key factors in any unit. And if you did not have it, the other was important but not as critical.

Let me ask a question, General Dempsey, about the commissaries. Essentially your testimony is that you would like to get some efficiencies out of the system and that they can generate these efficiencies. If that is not the case, then they are going to have to curtail some of their operations. Have you thought about criteria for curtailment in terms of identifying or something other than just we will get some efficiencies?

General DEMPSEY. We have, sir. And I will tell you that commissaries has been the most difficult issue to wrap our arms around because it is very difficult to understand the functioning of the commissary and the effect that a reduction in the subsidy will have until you make the decision to do it. That is why we are supportive of taking this first step this year, \$200 million. And as the senior enlisted, when they do talk to you, Senator, will tell you, let us see what happens. Let us see how much efficiency we can wring out of it in order to gain some savings. But left unaddressed, we will be providing a \$1.4 billion subsidy in perpetuity, and that just does not seem to be a reasonable course of action.

Senator REED. So your first step—and the number is about \$200 million—would be to essentially charge the system with coming up with efficiencies either through operation, techniques, different purchasing approaches, different managerial approaches that would save the money with no thought in this first year of closing any commissary. Is that fair?

General DEMPSEY. Yes. Let me ask the Vice to comment, sir, because he has actually done most of the heavy lifting on this.

Admiral WINNEFELD. I will be very quick. We have not directed any commissaries to close. That is not part of the plan. What would happen, as you correctly point out, look for efficiencies first. Whatever they cannot wring out of efficiencies would be a price increase. So you might go from the 30 percent claimed advantage right now—if all \$200 million in the first year came out, it looks like

that would go to 26 percent. We think we can do better than that. And then you look at the competitiveness of the commissary in the market in which it exists, and most of them I think at 26 percent savings will remain very competitive. If not, then there are probably situations where you might close one or two, but that is not what we have specified. It is, I think, a lot gentler than it looks.

Senator REED. Thank you very much.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator Reed.

Senator McCain.

Senator MCCAIN. Thank you, Mr. Chairman.

I thank the witnesses.

General Amos, with all of these proposals that we are examining today, it seems to me from previous testimony that the biggest problem really is sequestration. Would you agree?

General AMOS. Yes, sir, I would.

Senator MCCAIN. By far.

General AMOS. By far.

Senator MCCAIN. General Odierno?

General ODIERNO. I agree, Senator.

Senator MCCAIN. So unless Congress and the President act together, all of these savings will pale in comparison to the challenge you will face as a resumption of sequestration. Would you agree?

General ODIERNO. I think we have said before that under sequestration, we cannot meet the Defense Strategic Guidance. We have many concerns. And it also affects compensation and other things we want to accomplish within our budget.

Senator MCCAIN. By the way, on commissaries, I have a thought. Why not have people compete to provide those services? Why not just open it up for competition? No subsidy. Just see who wants to provide the best services. That might be a thought you might consider.

General Welsh, should we be purchasing rockets for our EELV program from Russia, including the fact that the person in charge of that aspect of Russia's defense has been sanctioned by the United States of America and a Federal judge has ruled that that is a process that should not be pursued?

General WELSH. Senator, as you know, we already have purchased some of those rockets. We have a backlog. We certainly are not purchasing them currently as we work through—

Senator MCCAIN. You have a backlog?

General WELSH. Sir, I am sorry. We have an inventory that will cover the next 2 years of planned launches if we are allowed to use them.

Senator MCCAIN. So do you think you should continue to purchase them?

General WELSH. Sir, it is clear that right now we may not continue to purchase—

Senator MCCAIN. I am asking your opinion whether you think we should continue to purchase them.

General WELSH. Sir, I think the best answer for the United States of America is to have the option of an organic booster.

Senator MCCAIN. Thank you.

General Grass, do you believe that the movement of Apaches out of the Guard is a wise move?

General GRASS. Senator, the adjutants general submitted a proposal to me that I have submitted to the Army about that. And we actually agree with two-thirds of the move of the trainer and also moving the Kiowa Warriors, and we submitted a proposal to keep strategic death of Apaches in the Guard.

Senator MCCAIN. So it is your view that the Apaches should remain in the Guard.

General GRASS. A certain amount, sir.

Senator MCCAIN. General Odierno, you mentioned a couple times in previous testimony you thought that the A-10 was by far the most superior close air support weapon that we have.

General ODIERNO. Senator, what I said is our soldiers have the most confidence in the A-10. They are used to working with it. I also said that the Air Force is providing close air support with other platforms, which has also been successful.

Senator MCCAIN. Does it give you comfort to know that the B-1 is one of the replacement ideas that the Air Force has put forward presently in Afghanistan? That would mean a 6-hour flight from its base in a different country as opposed to a minimum of 1 hour, and those weapons are delivered from very high altitude.

General ODIERNO. Senator, first off, I have confidence that the Air Force understands the immediacy of the necessity of close air support. I believe the systems they have in place will provide us that immediacy.

Again, as we use different platforms, we will work through with the Air Force how we use those and how they are best effective in supporting our ground forces as we move forward.

Senator MCCAIN. I find it curious that you come over here with all the necessity for cost savings and the A-10 cost per flying is \$17,000 per flying hour and the B-1, \$54,000 per flying hour. As I said before, General Welsh, I challenge you to find an Army or Marine commander who has functioned in the field and needed close air support that would feel comfortable with the B-1 replacing the A-10. I will look forward to you providing me with those individuals. The fact is that the B-1 is much more expensive. It flies at high altitude and it attacks static targets. That does not fulfill the mission of close air support as I know it. I would be glad to hear your response.

General WELSH. Senator, the B-1 also provides about 5 hours times on station, up to 32 joint direct attack munitions.

Senator MCCAIN. At \$54,000 per flying hour.

General WELSH. Yes, sir, and in some scenarios where the ground forces are not in direct contact with the enemy, it is an exceptionally good close air support platform. And I would be happy to provide people who will tell you that.

It is also not the planned replacement for the A-10, sir. The primary airplane doing close air support to take the place of the A-10 will be the F-16. It has already done more close air support in Afghanistan than the A-10 has, and it will work with other aircraft, if the scenario allows it, to provide the best possible close air support for our troops on the ground. We are absolutely committed to it. We have been and we will remain so.

Senator MCCAIN. Well, you tried to get rid of it before, General, and did not succeed. And we will try to see that you do not succeed again.

Finally, Mr. Chairman, my time has expired. But I gave a speech again yesterday on the floor of the Senate. We have now got 57 percent of the \$300 billion that was spent last year in fiscal year 2013 non-competitive, 80 programs, according to the Government Accountability Office, with \$500 billion in cost overruns, the EELV. The Air Force Expeditionary Combat Support System over \$1 billion which as of now has no result. The Expeditionary Fighting Vehicle, \$3 billion. Former Marine helicopter, \$3.2 billion. The acquisition system in the Department of Defense is broken. It still has not been fixed, and when we have as much as a \$3 billion cost overrun for a single aircraft carrier, the American taxpayer will not sustain it.

I thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator McCain.

Senator Blumenthal.

Senator BLUMENTHAL. Thank you, Mr. Chairman.

Thank you all for your service, your extraordinary dedication and contribution to our Nation. I join Chairman Levin in saying to you and the men and women who serve under you that we owe you a tremendous debt of gratitude both in peace and war.

General Dempsey, I had not intended to ask this question, but I am encouraged to do so by one of Senator McCain's questions. On the purchase of Russian helicopters for the Afghan military, what would it take to convince you that we should stop those purchases literally today since the money that we are spending on them goes to Rosoboronexport, the Russian arms agency that, in turn, is fueling and financing Assad in Syria and also now the troops that are on the border with Ukraine? What would it take to convince you that we should stop those purchases right away?

General DEMPSEY. An alternative, Senator. I just came back from Afghanistan on Saturday, and the Afghan Security Forces did an absolutely remarkable job of managing their elections. They peaked for the big events, but they are not ready to sustain themselves over the long term. We have got to get them a lift capability and an attack capability, and currently there is no alternative.

Now, we are looking inside the Department to see if we can find an alternative supply chain and repair parts. Believe me.

And by the way, the other thing that it would take is if a sanction were to be placed against them, that would be the law and we would have to react to that.

Senator BLUMENTHAL. A sanction against the Russian arms agency.

General DEMPSEY. That is right. A sector sanction.

But at this point, we do not have an alternative, though we continue to seek one.

Senator BLUMENTHAL. Is there a military reason that we should not impose sanctions on Rosoboronexport, the Russian export agency?

General DEMPSEY. The military reason is what I just expressed, which is a concern that we would leave the Afghan Security Forces without an air component for some time.

Senator BLUMENTHAL. But can we not provide those components from another source and the training to fly American helicopters?

General DEMPSEY. Well, we have talked about the American helicopter, Senator. That would take a very long time, much longer than it does with the Mi-17. But we are looking at alternative sources of supply and repair parts.

Senator BLUMENTHAL. I do not want to dwell too long on this issue, and you have been very gracious in talking to me about it on previous occasions, both on and off the record. And I appreciate your attention to it. But I would like to follow up further with it, and I appreciate you responding.

A question for you, General Dempsey, and perhaps to General Odierno and General Amos. One of the biggest factors in suicides as a cause of suicide is financial stress, and the rates of suicide I know have been of great concern to every member of this panel. Do you anticipate that any of these cuts or changes in compensation will impose greater stress? Obviously, that is an emotional term. It may not be objectively a cut in the standard of living, but the idea of stress comes with reductions in compensation and the threat of additional reductions in compensation.

So I ask this question very cognizant of the fact that many of our best and brightest who are fortunately serving now go into the military without the idea that compensation is going to be the key to their future. And as the father of two who have served, who are serving, I am well aware that the training and the challenge and the mission are the primary motivations for any young man or woman who goes into the military. But in terms of retention and continued service, are we not creating additional financial stress which, in turn, aggravates suicide rates and other down sides physically and emotionally?

General DEMPSEY. Well, I will let the Service Chiefs talk about the many programs in place to help service men and women deal both with stress and, in particular, with their financial well-being.

Personally, Senator, my belief is that the uncertainty of all of this is a greater cause of stress than the slowing of growth that we have prepared. And as I have gone around into town hall meetings, that echoes. That resonates. They are more concerned because they do not know what the future will be in terms of our ability to raise and maintain a force over time.

But let me ask if any of the Service Chiefs want to talk specifically about this.

General ODIERNO. If I could, Senator, I want to really piggyback on what the Chairman just said. Their concern is am I going to have a job. Their concern is I am still going to be part of the best Army. Am I going to have the best equipment? Am I going to be ready when you ask me to deploy somewhere around the world? Certainly they are concerned about their compensation. But in reality, we are not reducing their compensation. We are reducing the rate of growth. Nobody will see a cut in their paycheck. Their paychecks will continue to increase. So in my opinion, that is the bigger issue, sir.

Senator BLUMENTHAL. And can you talk perhaps, General Dempsey or General Odierno, about the STARRS program, the

Study to Assess Risk and Reliance in terms of addressing the suicide issues in the Army?

General ODIERNO. I can, Senator.

So STARRS enters its fifth year of the program. To date, more than 100,000 soldiers have voluntarily participated. And this is allowing us to gain new data that is enabling us to see where the stresses are, what are causing soldiers to think about suicide, to have suicide ideation, in some cases with those who have actually attempted suicide. So it is really giving us high quality information that we are able to put back in our program. So we are continuing to fund that program because the information we are getting is allowing us then to pass that information to the commanders and allowing them to better help and understand what the stressors are on our soldiers. So we are continuing to invest in that program as we move forward.

Senator BLUMENTHAL. Thank you.

Thank you very much, Mr. Chairman.

Chairman LEVIN. Thank you, Senator Blumenthal.

Senator FISCHER.

Senator FISCHER. Thank you, Mr. Chairman.

General Dempsey, some have suggested that maybe there are other areas in the budget that we can cut. I guess I would like you to speak to that. I know that research and procurement funds have been cut, but do you believe that there are any additional savings in those areas or other areas that can offset these compensation changes? How do you weigh that?

General DEMPSEY. Yes, Senator, not only are there other areas that could be cut, we have actually cut nearly every area. In fact, I would actually prefer to allow some of the Service Chiefs to talk about how they have tried to balance the reductions against pay, compensation, health care, modernization, training, infrastructure. There are five or six or seven places you can find money in a budget. They have looked. There is nothing left under the mattress. We have got to do this in a balanced way.

Anybody want to add to that?

Senator FISCHER. General Amos?

General AMOS. Senator, in my service, as I testified in my opening statement, 63 cents on every dollar goes to manpower. So we are the highest of all. By the way, that does mean the marines cost more. We actually cost less because we are a younger service. But it is a percentage of budget and a percentage of top line. So we are at 63 percent.

So that leaves 27 percent available for readiness. So you want me to be in a high state of readiness so we can deploy today, and we do that often, as you know. So that is 27 cents of every dollar applies to that.

And then really all that is left over, for the most part, is about 8 percent, which is equipment, modernization. You mentioned R&D. 4 percent is R&D and 4 percent is modernization. So when you think about in our service we have been at war for 12 to 13 years, and 4 cents on every dollar is going to modernize the Marine Corps after 12 or 13 years.

So to General Dempsey's, the Chairman's, point is that we have looked in a lot of places. So for me, my manpower account is 63

cents on every dollar. 64 percent of that is pay, health care, and BAH. So if I am going to make a change, even if it is a modest change, for me I get a pretty high return on the money considering the amount of money I am paying for modernization.

General ODIERNO. Senator, if I could just add to that.

So currently we are only funding our installations at 50 percent of what it should be funded at. We do not have a BRAC. We are going to have to continue to sustain the number of installations that we have. We cannot fund our installations fully. That is already the case. We are cutting the Army by 34 percent in the active component. We are cutting the Army by potentially 20 percent in the National Guard, 10 percent U.S. Army Reserve. Our research, development, and acquisition account has been cut by 39 percent. We have slowed down every one of our programs, which is costing cost overruns because we have now slowed down how long it is taking us to procure aircraft. And so what that means is each aircraft costs more because we have slowed it down and we have reduced the amount of aircraft we are buying. We are not only past efficiencies. We are becoming more inefficient because of how we are trying to deal with the problems that we are dealing with. Our MILCON is at the lowest level ever in the Army right now. We have taken as many efficiencies as we possibly can to pay a \$170 billion bill that we still have to pay over the next several years.

Senator FISCHER. You have strategic requirements that you have to meet. So just how far are you going to fall short of those if the sequester continues?

General ODIERNO. Well, so, I mean, until we can get the end strength out, which is going to take us about 3 or 4 more years, we are going to continue to be out of balance. Now, what we are trying to do—the problem we have is we are taking a portion of the force, a very small portion of the force, and making them as ready as possible to meet our operational commitments. The problem is the rest of the force is paying a significant price in readiness. And what that means is as we get unknown contingencies, we are not going to be able to respond with the readiness and capabilities that we are used to responding. And that is my real concern, Senator.

Senator FISCHER. And we have talked a little bit about the commission that is out there and the recommendations that they may come up with. I guess I will start with you, General Dempsey. Are any of you concerned about the changes that you are proposing here that you are contemplating for the budget? What happens if the commission rejects those and goes in another direction? How are you going to address that?

General DEMPSEY. The commission's work is on changes to structure of pay, compensation, and health care and retirement, which is a longer look at this than we are proposing right now. I think our suggestions are going to harmonize quite well, frankly, with what they are doing.

Senator FISCHER. What would you see for savings if the pay is going to be capped at an increase of 1 percent down the line?

General DEMPSEY. I am not sure I understand the question, Senator.



Senator FISCHER. If you are looking at savings on pay in the budget that you are proposing, you are talking about a 1 percent this year or fiscal year 2015 instead of the 1.8?

General DEMPSEY. Right.

Senator FISCHER. There will be savings there. Do you anticipate that that will continue into the future and how far into the future? Would you cap that?

General DEMPSEY. Oh, I see. Well, I think that is one of the things that we would expect to get some advice from from the commission because that is a structural issue. But the savings on that 1 percent vice 1.8 is about \$3.8 billion over the future years defense plan, and that is money we really need.

Senator FISCHER. I see my time is up. Thank you.

Chairman LEVIN. Thank you, Senator Fischer.

Senator Donnelly.

Senator DONNELLY. Thank you, Mr. Chairman, and thank you for all your service.

I want to focus for just a minute on mental health assistance. And I appreciate all your efforts of all the services in trying to get this right.

General Grass, the National Guard is limited in its ability to provide medical treatment to its members. You cannot access the defense health program's funding and have to use operations and maintenance funds. Does this impact the quality of mental health support that you can provide for your members?

General GRASS. Senator, we have 167 trained mental health clinicians across the States. Those are primarily in the State headquarters as well as in the flying wings. Thanks to the Congress, we got a \$10 million plus-up for this year. We have been able to bring on additional clinicians that we can put in the high risk areas. So that has been very helpful.

My concern is probably more looking to the future and especially as we bring men and women off of active duty into the Guard that maybe have had multiple deployments and they are coming back to their hometown and will we be able to expand and provide the health care they need, as well as our own men and women. In the past, we have had a 50/50 split on prior service and non-prior. During the war, that actually went down to a 20 percent prior service and 80 percent non-prior. So we have to tackle this issue.

Senator DONNELLY. Well, we continue to need to do a better job of assessing the mental well-being of our servicemembers every year for every servicemember regardless of whether deployed or not. And this goes for Active, Guard, and Reserve.

And, General Dempsey, I was wondering your views on conducting annual mental health examinations or screenings for the active and Reserve members.

General DEMPSEY. Well, we have programs in place pre-deployment where we screen them. Let me ask the Service Chiefs if you extend those into routine presence deployments. John?

Admiral GREENERT. Well, we have pre-deployment, as the Chairman has said, and then post-deployment, we have a 30-day, 90-day, and 6-month checks which include—I do not know that I could call it a mental health screening but delves into issues of mental health

of our individuals. So when you take that across a spectrum—and folks deploy every 2 years or so—that is quite a few checks.

General ODIERNO. We conduct assessment prior. Then we do one during deployment, and then we do one after the deployment. But then we are now making a part of the routine sustainment, as we do physicals and other things, behavioral health is becoming a part of that.

There are two things with the National Guard, if I could. We have increased the tele behavioral health. So we have got to continue to invest in that because that then allows them from external places to get behavioral health.

And the other thing is the TRICARE Reserve Select, which is a low-cost premium that allows them to get care. We are subsidizing that. We subsidize that by 72 percent. So that is an investment that we have made to help them to get care outside of the military health structure which should assist our Guard and our Reserve in order to get the behavioral health and other care that they need.

Senator DONNELLY. You in previous hearings here had mentioned about the possibility or the use of off-base mental health assistance as well. And that seems like in certain cases that could be a very good fit.

General ODIERNO. We are trying to build a civilian military consortium of capability that allows our soldiers and their families to get the care. We are making some progress on that.

We are also working with many outside organizations on our major installations in order to have this cooperative effort because sometimes they would much rather go to someone in the civilian community than in the military structure because of their concern about stigma and other things. And so we are trying to open that up as much as possible as we move forward.

Senator DONNELLY. General Amos, I just wanted to ask you. You mentioned 63 cents of every dollar goes to personnel, 4 percent for modernization. With that 4 percent, how modern will that allow the Marine Corps to be in about 10 years if it continued at that rate?

General AMOS. Sir, it is part of the decision we made last summer as we were facing sequestration. We said what is good enough. So in 10 years, the Marine Corps will not be a very modern service with regard to ground tactical vehicles. It will be with regard to aviation and a few other, but we will be living with legacy vehicles in the ground tactical vehicle arena.

Senator DONNELLY. And this would be for all of you, and I will do it quick.

Is there an upper limit like on the personnel costs? I remember, Admiral Greenert, we were at a dinner with you where you said at some point, if things do not change, the Navy's personnel costs will be two-thirds of every dollar and it will be very difficult to run the operations of the Navy if that occurs. Is there an X crosses Y point for the different services?

Admiral GREENERT. Well, that was at a rate that we were on at the time, and that would notionally arrest itself. But I think what we are suggesting is to slow growth. So for the Navy, we are about right now at about 25 to 35 percent. Now, if you add Reserves, I

am talking about sailors, Reserves, and civilian personnel. So we are talking about arresting it to the area we are right now.

Senator DONNELLY. Okay.

Sir?

General ODIERNO. So for the Army, historically it is 42 to 45 percent. Today we are about 48 percent and growing, and that is the concern we have. And as the budget comes down, it will probably grow as a bigger percentage. We are still working the numbers, but it will continue to grow if we do not watch this very carefully.

General WELSH. Senator, one of the concerns that I have is that the percentage for the Air Force has stayed the same between 2000, 2001, and today. It is roughly in the mid-30s. 30 to 35 percent of our budget is costs we pay to people. The problem with that is we have cut 50,000 airmen during that time frame. Our top line has gone up. We have cut 50,000 people and the percentage of the budget we put toward those people is exactly the same. That is the impact of the cost growth.

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

Chairman LEVIN. Thank you, Senator Donnelly.

Senator Ayotte.

Senator AYOTTE. Thank you, Mr. Chairman.

I want to thank all of you for your leadership in the military, for your extraordinary service to our country during challenging times.

I just have a comment up front, and I want to echo the comments that Senator McCain made. This really is about sequestration. And as we look at these issues in terms of compensation and also the readiness issues and challenges that you are facing right now, it seems to me that when we look at the overall budget, taking it out of the DOD realm, 60 percent of what we are spending our Federal dollars on are on mandatory spending, entitlement programs, that if we do not get together collectively as a Congress and address the bigger picture in the budget, then those programs, by the way, go bankrupt but also it continues to squeeze out the priorities in terms of defending this Nation at a very challenging time.

Sequester, let us not forget, was set up to be something that would never happen, and yet, here we are. So I think that we need to show an iota of the courage that our men and women in uniform do every day and really address the big picture problem here with sequester because we are going to continue to face this down.

And as I look at it, the one thing that worries me is that when we went through the COLA discussion in the budget agreement, there seemed to be somewhat of a disconnect that there were comparisons made between civilian personnel and the sacrifices that our men and women make every day. Well, when you are married to someone in the military and you have got to move around, you cannot have the same career as someone who is on the civilian side. When you are missing those weekends, those holidays, it is not the same. And so you cannot make those comparisons, and we cannot lose sight that the 1 percent of this population, the men and women in uniform who go out and defend the rest of us, that the sacrifices they made are very different.

So what I would like to make sure of is that we do not lose sight of that as a Nation and that we actually hopefully can get this Congress to the place where we are taking on the big-picture, hard

questions that need to be taken on so that we do not diminish the best military in the world.

So that is my comment up front, and I know that many on this committee share those sentiments and really what we need to address if we want to make sure that our men and women in uniform are supported and the defense of this Nation is sound.

I want to ask, in particular, just real quick to follow up on what Senator McCain had asked General Odierno. Just so we are clear on the A-10, our men and women on the ground—do they have as much confidence in the F-16 in terms of the CAS mission as they do in the A-10?

General ODIERNO. If you go ask people on the ground, they will tell you that they believe in the A-10. They can see it. They hear it. I think a lot of times they are not aware of the F-16 as much because it is not actually visible to them. So if you ask them on the ground, they are very clear that they—

Senator AYOTTE. Do you believe the F-16 is the equivalent of the A-10 on the ground in terms of re-attack times, in terms of ability to go low and slow in terms of survivability in those real close settings?

General ODIERNO. They both have very different capabilities. They both can conduct the missions, but the A-10 has certain characteristics that enable them, visual deterrence, able to see, the type of munitions. But the F-16 also has been capable of developing and delivering.

Senator AYOTTE. Let us be clear. The F-16 is not the equivalent of the A-10 when it comes to the close air support mission on the ground. Is it?

General ODIERNO. It is not the same.

Senator AYOTTE. General Amos, would you disagree with that? Is the F-16 the equivalent of the A-10 in terms of close air support on the ground?

General AMOS. Senator, I cannot comment on the F-16. I can comment on the F-18, and the marines would rather have F-18s overhead than A-10s. And I will say that caveated. During OIF-1, I had 60 F-18s, 72 carriers, and General Mosley gave me a 100 sorties of A-10s every day. So it was a nice blend. The A-10s in those days were nonprecision. I think that is taken care of now. I think they have got precision systems.

Senator AYOTTE. They are precision guided now.

General AMOS. Yes, and so they have got all that. So that makes them the better platform.

So I think it is a blend. But if you ask the marines on the ground, they would rather have their F-18s and the Harriers overhead. That does not mean they did not appreciate the hell out of the A-10s, and I know for a fact that they did.

Senator AYOTTE. So I guess my question is do you think that the F-16 is the equivalent of the A-10 on close air support. Yes or no?

General AMOS. Senator, I do this for a living, and I think they are two completely different platforms with overlapping missions. Now, one is very old. The other one is not quite so old. I think what you would probably like to do is have a blend, if we could afford it. We are at a point right now where we are trying to make decisions on what we can afford and modernization.

Senator AYOTTE. Well, it seems to me when I think about what the men and women in uniform on the ground have told me when I visited Afghanistan, we should be able to afford what they believe is the best close air support platform, especially given the cost per flying hour and what we have previously invested in the A-10.

I have a question for the whole panel that I really think we need to get to the bottom of. When we add up the fiscal year 2014, fiscal year 2015 pay caps, and the proposed BAH pay reductions, the reductions in commissary savings, and the new TRICARE fee structure, the Military Officers Association has given us an estimate that an E-5's family of four would experience a loss of about \$5,000 in purchasing power annually, thinking about their overall compensation package as opposed to just pay or one area.

Do you all agree with that estimate? And have you done the analysis in terms of thinking about our junior enlisted officers and what it will mean for them in terms of these proposals on a graduation? Because I have not yet seen that. Perhaps you produced it, but I think it is important for us to see especially for thinking about the sergeants in our Army and our Marine Corps, the staff sergeants, the petty officers 2nd class, all of those who are really at the junior enlisted level who are making a lot less money. And some of them, unfortunately, in some instances I know in the past have been on—it is a shame, but have been on food stamps and other things. So I think those numbers are particularly important for us to see.

General DEMPSEY. Senator, we will take it in general for the record and give you—we do have that data. The CNO actually has the specific answer to that question that you asked.

Admiral GREENERT. If you look at the literal pay today—this is an E-5 in the Navy, about 6 years in the Navy, three dependents—they make \$64,300. and I will give you this. I will back up this. In 2019, which is at the end of this pay period we are talking about, they would make \$76,000. Now, that gives them inflation. If you look at buying power, to be straight with you, they get about a 4 percent loss in buying power as a result of this. That is about \$2,500, not \$5,000. Does that make sense?

Senator AYOTTE. Yes. So basically you would say that the estimate that MOA gave us—your estimate would be half that.

Admiral GREENERT. Yes, ma'am.

Senator AYOTTE. No, I appreciate that. I just think it is important for us to understand in the buying power dollars because, I mean, that is how families operate, as you know. So that we understand on that junior enlisted level that really they are going to have the toughest time with this, and I want to understand that.

General AMOS. Senator, on the commissary issue, which is a sore point for me personally, DECA advertises 30 percent savings across the market for us out there right now. And they are saying that as we go down and we put these efficiencies in, this \$1.whatever it is billion worth of efficiencies over time, it is going to go down to 10 percent savings. That is a 66 percent drop in savings for my marine. I do not like that. I do not think that is the solution set. I think the solution set is to force DECA to become more efficient and figure out how to do it and do not put that burden on the

backs of our young enlisted marines, our lance corporals, our sergeants, our airmen, or seamen.

So I think the commissary piece is important. We do not need to turn our back on it. But I think we are going at it the wrong way. I think we need to force DECA to do some of the things that the services have had to do over the last year to try to live within our means, if that makes sense.

Senator AYOTTE. It does.

Thank you all. I appreciate it. I know I am beyond my time.

Chairman LEVIN. Thank you, Senator Ayotte.

Senator Hagan.

Senator HAGAN. Thank you, Mr. Chairman.

And, Mr. Chairman, I wanted to open, just wanted to express my thanks to General Amos, Commandant Amos, for his incredible leadership over the marines, as well as your wife Bonnie for all that she has enjoyed and been through over these so many years. But thank you for your steadfast dedication to our Marine Corps, to our country, and to the State of North Carolina.

General AMOS. Thank you, Senator. I will pass that on to Bonnie.

Senator HAGAN. Please.

We certainly face difficult decisions in fiscal year 2015, as we all know and have been discussing. And it is something that this committee will be closely examining in the coming weeks as we consider the NDAA. And looking ahead, however, we also face the return of sequestration in fiscal year 2016 and beyond.

North Carolina, as all of you know, has one of the largest military footprints in our Nation. So I am particularly concerned about the effect that it would have on our servicemembers. And I am committed to finding a balanced solution that is going to put an end to sequestration in future years.

My question, General Amos, with this likely being your last appearance before our committee as commandant, I am interested in your most blunt view of the impact that the return of sequestration would have on our Marine Corps in the future.

General AMOS. Senator, just trying to pull the figures out—we have testified on this so many times on this in the past. There is absolutely no doubt in my service and in particularly your State. You are going to go from almost 50,000 marines, a little bit more than that, down to just about 41,000 marines in your State alone, all as a result of the force drawdown, which is driven a lot by sequestration. So it is not dollar for dollar, but it is significant.

I think more importantly than that is you are going to take a force whose *raison d'être* is to be ready today, to go tonight. And we will continue to do that for about 2 more years, but if sequestration returns in 2016, then you are going to see the readiness of those units that are designed to and assigned to be ready tonight—you are going to see the readiness in those units fall under sequestration. We have not even talked about modernization, equipment, and all that other stuff. Just the O&M, the training readiness, the ranges, the ammunition, the fuel, the ability to train those young marines is going fall starting in about 2 years.

Senator HAGAN. And that is certainly one of the very reasons that I think it is very, very important that we take notice of this.

We listen to what you all have to say and we certainly work very hard together to be sure that we can stop sequestration.

General Dempsey, as I am chair of the Emerging Threats and Capabilities Subcommittee and I am concerned about how, once again, the continued sequestration could affect our ability to meet the challenges in the future, if sequestration returned in fiscal year 2016, what threats concern you the most in terms of our ability to be prepared?

General DEMPSEY. I think three things, one I mentioned to Senator Blumenthal, which is the uncertainty that will persist within the force, and that is going to have issues in the human dimension. These are real people we ask to do this work. And we owe them a little certainty in their lives.

Second, it will affect our ability to maintain forward presence to the degree we believe we should. When we are forward, we deter our adversaries and we reassure our allies. And if we have fewer forces forward, we will be less deterrent and less reassuring to our allies.

And then as General Odierno mentioned, should a contingency arise, we will have less in readiness back here to flow forward to respond to that crisis.

So those are the three things I would suggest we should take very seriously. And in the aggregate, they define a level of risk that at BCA levels we believe to be unacceptable.

Senator HAGAN. Thank you.

I did want to ask a question similar to what Senator Ayotte was talking about in her last question. You know, unlike the private sector, where most companies can easily recruit mid-level employees, in the armed forces we do not have an alternative but to build and develop our mid-grade officers and non-commissioned officers from within. And as our servicemembers reach that midpoint of their careers, they are making these critical decisions about whether or not to make the military a career. These officers and non-commissioned officers obviously have a wealth of experience with multiple deployments many times to Iraq and Afghanistan.

How do you think they will view DOD's proposed compensation proposals? And I would put this out to anybody.

Admiral WINNEFELD. I can give you some numbers that are rough numbers. We find that in retention, which is I think the question you are asking, that a 10 percent pay increase historically—we have had more increases over the last decade than decreases—for first-term retention increases retention about 10 to 15 percent. For second-term retention, it increases at about 10 to 13 percent, and it increases career retention about 5 percent. So if you were to take a 10 percent decrease, which is not at all what we are talking about here—we are just talking about lowering the trajectory of increases. They are smaller increases—presumably you would have a commensurate effect.

So I think what we are hearing from our people is that there might be some small impact on retention but that based on the current economy and a number of other factors, we think we are going to be okay. We carefully considered that as we designed these proposals to not end up with a break in gen retention.

Right now, the Air Force is retaining and I would defer to the chief over there. But in 10 of 11 categories, the Air Force is exceeding its goals. In career retention, they are at 96 percent, just as an example.

Senator HAGAN. Thank you. Once again, General Amos, thank you.

Senator NELSON [presiding]. Thank you, Senator Hagan.

Now Senator KAINE.

Senator KAINE. Thank you, Senator Nelson.

And to members of the panel, thank you for your service and your testimony today.

I just want to associate myself with the comments about sequestration. One of the first votes I cast when I came into the Senate was to eliminate sequester as needless and poor budgetary strategy. Together with colleagues, Senator Nelson, Senator King, and others on the Budget Committee, we worked to at least reduce the effect of sequester in fiscal year 2014 and 2015. And those of us who are on Budget, those of us on Armed Services, many of us are going to be trying to do the same thing with 2016 and carrying it forward.

General Dempsey, just to open my questions in this vein about sequester, are the recommendations that are part of this budget, including the compensation recommendations we are discussing today, driven primarily by optimal defense strategy or by budgetary caps imposed by Congress?

General DEMPSEY. There are some things in our recommendation—you know, this is a bundling of reform. There are some things in there that we would have clearly wanted to do whether sequestration was a fact or not. And then there are things that are very clearly the result of sequestration.

So we are trying to recover from 12 years of conflict, restore skills lost, rebuild readiness, recapitalize the force. And it is really the aggregate of effects. I would certainly say that sequestration has dramatically exacerbated our challenge. It would have taken us 3 years or more to reset the force whether sequestration was upon us or not, but this really exacerbates it.

Senator KAINE. I think that is an important thing. The optimum for the Nation would be if our budgetary decisions were driven by our strategic choices, especially in defense but in other areas as well. The distant second place is if we let strategy be dictated by budget realities, but what we have really been doing is letting strategy be dictated by budget uncertainties, budgetary gimmicks, and that is the far distant third in terms of the way we ought to be doing defense and other strategy in my view.

Before I came to the Senate, the Senate agreed, as part of the 2013 NDAA, to embark upon this Military Retirement and Modernization Commission. And one of the issues that I have just found kind of compelling, as folks have advanced it, is regardless of the justifications for particular compensation-type changes—and all those that you are advancing seem to me to be good faith efforts to tackle budgetary challenges. Nevertheless, there is an argument that is being made that the Senate kind of embraced a notion that there ought to be this full-scale, 360 degree examination of these



changes, and a recommendation would be circa February 2015, and that you should not make changes until then.

What is your thought about whether we sort of break faith with a commitment that we made even if these changes are made in good faith and they are justified, if we embark on those changes prior to the full set of recommendations from the commission early next calendar year?

Admiral WINNEFELD. I think it is important to reiterate what Chairman Dempsey said a minute ago, and that is we fully expect the commission to take a holistic look not only at retirement structure but also the pay structure, how do we structure compensation for our people, what is BAH, what is basic pay, all those sorts of things. What we are talking about here is really tweaks to the existing structure that we would not really expect the Military Compensation Commission to say, well, we think base pay should be raised at this percent next year, whatever. I think they are taking a more fundamental look at how we structure compensation overall.

But we believe we need to get going now. We cannot wait for this commission to report to get the savings we need in order to give these young men and women the tools they need to fight. And we look forward to the Military Compensation's recommendation on structure.

Senator KAINE. Admiral Winnefeld, is it your understanding that the commission, just to use one example, would not be addressing items like what should the level of subsidy be for the commissaries? Do you think that is outside the scope of the work that they are going to be doing?

Admiral WINNEFELD. They might address the level of subsidy there. They can address the full range of things, but our view is their principal role is what is the structure of compensation. Let us take a fresh look at how we pay our people to see if we have this right in the 21st century. So I would not want to rule out that they would look at individual numbers, but we felt we had all the data that we needed right now to get moving on this so we can get the savings we need sooner to get these young men and women the tools they need to succeed in combat.

Senator KAINE. One of the things that I think is most important about the work that the commission does is that they really have a great sense, you know, kind of a scientific survey sense, of what service men and women at all levels feel about the kind of relative priorities of compensation and retirement items. Senator Cornyn and I have today introduced a bill, the Servicemember Compensation Empowerment Act, that kind of directs them, as part of their recommendations, to make sure that they have done a survey. They may already be underway in surveys of that kind, but we think that is pretty important.

Let me ask about this idea that the work of this commission looks at structure. We had a wonderful hearing last week, General Welsh, on the Air Force force structure analysis that really was getting at some of these structural issues. There are more ways to save money in a personnel system than adjust a COLA or adjust a salary increase. The entire structure of a service operation is a

way to find savings and promote the mission as well. You talked about the continuum of service as an idea within the Air Force.

Are the other service branches doing—I am just curious—things similar to the Air Force force structure analysis, or is that more being done as part of this Military Retirement and Modernization Commission?

General WELSH. Senator, we look at our structure every single year, and we do a comprehensive review of our structure and how it fits and what the cost is and how it fits within our requirements. So we are constantly doing this.

We also look at optimizing the grade plate within the structure, you know, what are the right grades that we should have. What is the right leader-to-led ratio? What is the right leader-to-led ratio in the operational force versus the generating force. We are constantly doing this assessment. Every year we look at it anew to make sure we keep it in balance and have it right, and that is part of this.

But the Army is in a—we are all in different places. We are significantly reducing end strength and structure now. So we are doing about everything we can in that area, and that is why for us it is important to take a look at some of these other areas as well.

Senator KAINE. Admiral Greenert?

Admiral GREENERT. We do a 30-year shipbuilding plan and submit it to the Congress annually and a 30-year aircraft building plan. And so we roll into that the strategy of the Department and the requirements of the combatant commanders. And then we do what is called a force structure assessment where we balance predominantly ships, but we look at all capabilities, our ability to meet the combatant commanders' present requirements and the operational plans, as well as the scenarios of the Department. We roll those factors in. That is done every time we change the strategy or make a tweak to the strategy and at a Quadrennial Defense Review.

Senator KAINE. Briefly, General Amos?

General AMOS. Senator, we have done three of them in the last 3 years—3½ years. The first one took over a year, a force structure review going on right after I took this job. The last one was in the face of sequestration last year. And that designed the force to come from 202 down to 175. Within that, though, we looked to how we can afford that 175 force. We looked at pay structure inside grade plates is what we are talking about.

We are the youngest of all the Services, and so we have probably the lowest—we do—numbers of what we call top six ranks. They are the most expensive both in the officer and the enlisted side of the house. So we look at can we make it even more less top heavy. And the answer is no because we are so lean right now at that level. So we have got about 11 enlisted marines for every officer. That is the ratio. I think it is the best.

And so the answer is, yes, we have looked at it, and sir, we are about where we are.

Chairman LEVIN. [presiding]. Thank you, Senator Kaine.  
Senator King.

Senator KING. We have just a few minutes left before this vote, so I am going to try to be quick.

These hearings must drive you guys crazy. I mean, I have been coming to these hearings with you for a year and a half. Everybody talks about sequester and yet nobody does anything about it. And then we are acting like sequester came from Mount Olympus. It is self-imposed. I call it the Wiley Coyote budget theory. You remember Wiley Coyote in the Road Runner? You throw an anvil off the cliff, run to the bottom, look at the camera, smile stupidly, and then it hits you on the head. We created this problem, and we can do something about it. You guys must go and tear your hair out, perhaps not you, General Odierno. [Laughter.]

Chairman LEVIN. Actually he did have hair before sequestration. [Laughter.]

Senator KING. That is right.

But it is entirely self-imposed, and we act like everybody around this committee, both parties, talks about how terrible it is, and yet, we do not really move to do anything about it.

General Dempsey, I assume you do not want to make these cuts that you have presented, but you have to because it is a zero-sum game. Is that not correct?

General DEMPSEY. Well, it is certainly in our best interests to be the best stewards of America's resources, and there are some things we would do anyway. But as I said earlier to Senator Kaine or to Senator Blumenthal, one, sequestration has made this almost a mind-numbing experience.

Senator KING. Well, but the reality of the world that we are in right now that you are facing—it seems to me it is a new reality for the Congress—is that it is a zero-sum game. So if we do not accept your recommendation, then that is \$2.1 billion a year, \$30 billion over 5 years that has to come from somewhere else.

General DEMPSEY. Absolutely, and that is why I mentioned to the chairman if we wait 2 years, it is \$18 billion.

Senator KING. And your professional judgment unanimously—and I heard on the Personnel Subcommittee from the enlisted chiefs unanimously—was that this is a sensible alternative particularly when compared to the cuts to readiness that would otherwise have to take place. It is not a “both/and.” It is an “either/or.” Is that correct?

General DEMPSEY. That is correct.

Chairman LEVIN. Let me interrupt, if I could, for one second. We have a vote. We are near the end of it. When you are done, Senator King, if you could recess this, if there is nobody here, for 10 minutes. Senator Nelson is coming back I know. He has not had his first round. So if you all could stay during that recess, we would appreciate it.

Senator KING. I am prepared—I think we can recess now, Mr. Chairman. I am set.

Chairman LEVIN. We will recess until someone else comes back, and give you folks a chance—

General DEMPSEY. It is the story of our life, Mr. Chairman. [Laughter.]

[Recess.]

Senator NELSON [presiding]. The committee will come back to order after recess.

Senator GRAHAM. Thank you, Mr. Chairman-designee. You would make a great chairman.

Thank you all for being here today.

First, I would just get my advice out of the way. We are having a commission that is supposed to report back to the Congress here I think next year, and I would like to hear from the commission before we make any real substantial changes. I understand what you are telling the Congress. You got some things that you need to do now because of budget cuts.

Senator McCain asked a good question. Your big fear is sequestration. I want to kind of turn it around a bit. Even if you had all of the money you could possibly ask for within reason, would you still want to make personnel changes, reform the personnel system?

General DEMPSEY. Yes, absolutely, Senator. We have actually testified to that in the past. We have got a new demographic. Different things appeal to different kids, and we would want to take a look at all that.

Senator GRAHAM. Whatever personnel footprint you have, you have got to make it sustainable.

So we are having a dilemma here. We are trying to make sure the pay and benefits are consistent with the sacrifice, as much as possible. It is good for retention. It is fair, and the tie goes to the soldier, sailor, airman, and marine because if there is a doubt, I want to give them more, not less. But it has got to be sustainable.

Now, General Grass, we have offered TRICARE to reservists and guard members. Is that correct?

General GRASS. Yes, Senator.

Senator GRAHAM. How has that been received?

General GRASS. Senator, we have got about 12 percent of our force that has bought into it.

Senator GRAHAM. I think over time more will buy into it, and I think it is a good retention and readiness tool. When we deploy from the Guard and Reserve, sometimes we find that health care problems are the biggest impediment to getting people in order. So having continuity of coverage I think makes sense from readiness, and as far as retention, if a member of the Guard or Reserve could sign their family up for TRICARE, it is a real inducement to stay in. So that is an example of expanding benefits.

And when it comes to taking care of our troops, we are doing more on the sexual assault front. Is that right, General Dempsey?

General DEMPSEY. Yes, Senator.

Senator GRAHAM. And I want to applaud everybody on this panel for taking the issue seriously. I like the way you are headed. We are providing JAGs to every victim. I just think what we are doing on the sexual assault front will pay dividends.

We got PTSD problems. We got suicide prevention programs. All these programs cost money. Is that right, General Dempsey?

General DEMPSEY. They do, Senator, and it is money well spent.

Senator GRAHAM. I could not agree with you more.

So on one side, you are increasing benefits based on reality of retention and problems associated with long-term service in a very

dangerous world. On the other side, we are trying to create sustainable pay and benefits.

And that takes us to the big—from the Marine Corps point of view, what percentage of your budget, General Amos, is personnel cost?

General AMOS. Sir, it is 63 percent.

Senator GRAHAM. Navy? Please, everybody answer that question, if you could.

Admiral GREENERT. It is about a third, sir.

General ODIERNO. 48 percent.

General WELSH. Sir, roughly 48 percent with the military and civilian together.

Senator GRAHAM. General Dempsey, one of the things that we are looking at is prospectively maybe redesigning retirement. You are going to wait on the commission as far as that is concerned. Is that correct?

General DEMPSEY. That is correct, Senator.

Senator GRAHAM. Count me in the camp of putting retirement on the table, making it more sustainable, more efficient, but still generous.

The real big issue I think is TRICARE. Is that a fair statement from all of your perspectives?

General DEMPSEY. I think the big three are actually pay, TRICARE, as well as BAH.

Senator GRAHAM. Okay. So as we look at the big three, we are going to be looking at trying to make the pay/benefit system more sustainable but yet still appropriate for the sacrifice. Is that correct?

General DEMPSEY. Yes, sir.

Senator GRAHAM. And you are asking the Congress to be a partner in this.

General DEMPSEY. Yes, sir.

Senator GRAHAM. I am asking the Congress to keep an open mind to our VSOs. We will listen to you. We should, but we have got to get a handle on this because over time TRICARE becomes a larger part of the budget. Is that correct?

General DEMPSEY. That is correct, sir.

Senator GRAHAM. Very much like Medicare. I mean, we are going to have to deal with the cost of health care in a responsible way.

So if we make these personnel changes and we adopt a reform package like you just spoke, some kind of reform, how much do you think it would save over time for the Department of Defense?

General DEMPSEY. The submission that we have currently proposed—

Senator GRAHAM. No. I am talking about pay/benefits. I mean, what is your goal?

General DEMPSEY. Well, I think the goal is to actually slow the growth. As you noticed, each Service has a different model, and each service would probably be better able to answer that question.

Senator GRAHAM. So what is your goal in the Marine Corps after all these reforms, General Amos?

General AMOS. Senator, right now in this FYDP, I am looking at \$1.2 billion over the next 10 years.

Senator GRAHAM. You do not have to answer this question today. Pick a number that you think is a sustainable cost, a percentage of your budget, and let that be your goal. So the goal is going to be each Service is going to pick a percentage of your budget. What do we have to do to get there? And we will all talk about whether or not—that is running the place like a business. Personnel costs have to be managed. Let us pick a fair amount of the budget to go to personnel, understanding that is the heart and soul of the military. They have to be well taken care of. Their families have to be well taken care of, but it has to be sustainable.

Now, I will end with this. Once you put all these numbers together, can you please, for the 555th time, tell the Congress that no amount of personnel reform is going to save the military from being a hollow force if you do not fix sequestration. Is that still a true statement?

General DEMPSEY. It is truer today than the last time we had this conversation.

Senator GRAHAM. Does everybody agree with the Chairman's assessment?

General ODIERNO. Yes, Senator.

Senator GRAHAM. Let the record reflect everybody nodded in the affirmative.

Thank you.

Chairman LEVIN [presiding]. Thank you, Senator Graham.

Senator HIRONO.

Senator HIRONO. I got back just in the nick of time.

I start by thanking all of you for your service, of course.

I join my colleagues in saying that we need to get rid of sequestration because it has done so much damage to our readiness and other aspects of the military. So I am with my colleagues who are going to commit ourselves to getting rid of sequestration.

I have a question for General Amos regarding the commissaries because the commissaries—that is something that our service people understand. Their families go to the commissaries. They know what the price differentials are. General Amos, you said that we should force DECA to become more efficient rather than raising the prices so that the differential becomes so much less. I am completely in agreement with you.

Does that mean that you know of examples or perhaps any of the other chiefs? Do you have examples of where commissaries need to find efficiencies? What is inefficient that they are doing that they should just address right away in your view?

General AMOS. Senator, first of all, you are absolutely correct on what our families are saying. The commissary issue itself is radioactive. Again, our efforts never even suggested closing commissaries. That was never on the table and it is still not today for us.

But we have already talked about some of the efficiencies. Admiral Winnefeld talked about that.

Senator HIRONO. Excuse me. Are you talking about the generic drugs?

General AMOS. Yes.

Senator HIRONO. I completely agree with you on that. I cannot understand why we do not allow generic drugs to be sold in our commissaries.

Admiral WINNEFELD. It is not just drugs. It is generics across the board. I used the drug example because I could compare it to the exchange, which does not sell food. But there are similar stories across.

Senator HIRONO. Thank you for that clarification.

So that is a change that should occur, and you are saying that you cannot do it on your own, that it would require some change in the law?

Admiral WINNEFELD. That is our understanding. We would like to see it happen. I can give you the example. I went out because my knees hurt and I use ibuprofen. I went out in town to a chain store. \$8.99. The commissary sells it for \$7.98, a pretty good deal. But the chain store sells a generic for \$4.49, and the exchange sells it for \$2.10. So I think that there are some substantial savings that we could put right back in our people's pockets that would easily offset at least a portion of any subsidy.

Senator HIRONO. I agree with you. That sounds like low hanging fruit that we ought to pick immediately if not sooner.

General Amos, do you have any other areas where you can see efficiencies by our commissaries?

General AMOS. Senator, I do not have specific other areas, but I will just say this across the board. Years ago, our exchanges—the Marine Corps exchange—and I think it was that way in the other services as well—received what they called appropriated funds. In other words, they were subsidized so they were not forced into making good business decisions. It is a little bit like Senator Graham was just talking about, you know, being a good steward of your money. That is not the case here. This is a subsidized institution, and I think it is time to change that. I think it is time to force them to go back and do things economically.

Now, economically in my mind does not equal taking the 30 percent savings away from our families. That is not what I am saying. I am saying figure it out. We cannot sit at a hearing and understand all that that means. But I am confident that they can, the same way that our Marine Corps exchange did years ago. And you can go the Marine Corps exchange today and you still get a pretty good bargain.

Senator HIRONO. I agree with you because in earlier hearings, the number of the savings or the price differential would go down to only 10 percent instead of 30 percent. That sounded like that was going to be the result. But now you are saying that, no, there should be some other avenues before they start raising those prices. So I completely agree with you. I hope we are all on the same page on that.

Admiral WINNEFELD. Ma'am, one of the things that I mentioned in my opening statement was that we exempted the commissaries from the 20 percent staff cuts that the rest of us are taking. We did that to help them with the first year's \$200 million. I am not even going to suggest that they could make 20 percent. They have to run their enterprise. It is a distribution network and they have

stores they have to man. But we think they ought to look there. Certainly it is one of the efficiencies that you talked about.

Senator HIRONO. General Dempsey, you said that for you to come up with the kind of suggested savings in personnel costs, it was a 1-year process, and it included most senior officers and enlisted leaders and select mid-grade servicemembers. So that says to me that the vast majority of our servicemembers are not aware of your suggestions. And maybe you are doing some things to get the word out because I think it is really important to educate our servicemembers, explain to them that the cuts that are being made are not mainly coming on their backs because it begins to feel like that if their housing allowance is not what it is or that the commissary prices are going up or that their pay is slowing down.

So I think it is going to be very important, as we go forward, knowing that these cuts represent just a smaller percentage of what personnel costs actually represent, 30 percent versus these cuts, 10 percent. I think it is important to get the word out to the servicemembers because, believe me, if that does not happen successfully, I do think that we are going to start hearing from our constituents and pretty soon it is going to be hard for us to support these cuts.

So can you tell me what you all are doing to get the word out so that we know we are all in the same boat here?

General DEMPSEY. Well, all of us and those behind us and those at every echelon of command are engaging our population on this very subject. I mean, whenever I travel—and I travel quite extensively—I will always hold a town hall meeting. This is always a topic of conversation.

I offer the chiefs the opportunity to elaborate, if you would like.

General WELSH. Senator, Chief Master Sergeant of the Air Force Cody and I have been visiting Air Force bases all over the world. Like the Chairman, we hold large audiences and forums everywhere we go. We talk about this subject every time. We take questions about it. We answer concerns. We make sure they understand what the proposals are and what they are not. Our force is actually aware of what is going on. I do not think you will find any individual who says he likes the idea of anybody slowing cost growth if it benefits their family, but they also will tell you that they would really like to have the best tools in the world. They really would like to be trained better than anybody else, and they take great pride in being the best in the world at what they do. And if they cannot do that, they will find other employment.

Senator HIRONO. That is reassuring. Thank you. I believe my time is up.

Chairman LEVIN. Thank you, Senator Hirono.

Senator Nelson.

Senator NELSON. Thank you, Mr. Chairman.

General Dempsey, some have suggested that instead of the recommendations on changes in military compensation, that we should cut the civilian workforce. And some estimates are that you would need to cut 100,000 in the civilian workforce. Do you believe that cuts of that magnitude of civilian workforce is a feasible alternative?



General DEMPSEY. No, I do not, Senator. I do think—in fact, it has been our advice in these conversations with the Department that the reductions in the size of the end strength of the combat power of the Nation should be matched by a commensurate reduction in the overhead of the Department and it includes out into what we call the fourth estate, you know, the defense agencies. And by the way, as you know, Secretary Hagel has directed a 20 percent reduction across the board. But I think that would devalue the contribution of the civilians who are our wing men and foxhole buddies and swim buddies in this enterprise.

Senator NELSON. Mr. Putin continues to be very aggressive, and whether it is uniformed personnel on the border of Ukraine or whether it is the non-uniformed people that are proxies that are stirring up things inside, he has now moved on Odessa.

Can you share publicly what are the plans—let me rephrase that. What can you share publicly are the plans of the U.S. Armed Forces, as well as NATO, with regard to this aggressive action by Russia?

General DEMPSEY. Well, what I can say publicly, Senator, is that the United States has three instruments of national power: economic, diplomatic, and military. They are all being applied to this challenge of an assertive and aggressive Russia. The military instrument at this point with regard to the Ukrainians is support in terms of nonlethal assistance, intelligence sharing at some level. And the military instrument is principally involved in reassuring our NATO allies by the deployment of additional resources, the deployment of planners, the conduct of exercises to assure our NATO allies that we will live up to our Article 5 responsibilities under NATO.

Senator NELSON. And an example of that would be the F-16s that you recently sent to Poland.

General DEMPSEY. F-16s to Poland, an increase in ship presence, deployment of company-sized elements out of the 173rd Airborne out of Vincenza into the Baltics and Poland. Yes, sir.

Senator NELSON. Thank you, Mr. Chairman.

Chairman LEVIN. Thank you very much, Senator Nelson.

Senator SESSIONS.

Senator SESSIONS. General Dempsey, thank you and all of you for your service. You have been given a thankless task. You have led us magnificently in combat. All of you have. And I know how many hours you work.

And when people think about how much you should pay a person in the military, often they forget there is no overtime. There are weekends and full deployments of months at a time often in dangerous areas that we are asking them to undergo. And I do believe there is a bond that the American people must have with those we send into dangerous places—and we ask them to leave their families for an extended period of time—that cannot be broken. I tell you I think that is fundamental.

Now, I am on the Budget Committee, and I had to leave to go to the Budget Committee where I am ranking member of the Budget Committee. So I am seeing this from both sides, and I know how much of a danger this Nation faces from the debt. The Congressional Budget Office Director, Mr. Elmendorf, told the Budget Com-

mittee a few months ago that last year we spent \$221 billion on interest. So that is about half the defense budget. We get nothing for that. It has to be paid first. He projects, however—and this is a dangerous thing—by 10 years from today, we will pay \$875 billion in interest in 1 year. That is a \$650 billion increase in the amount we are paying for interest over this period of time. We had the Education Secretary before us, and I told him it is going to threaten your education budget.

So I guess, first of all, I think this Department, the Defense Department, is taking this seriously, and I respect you for it. And I am totally of the belief that you are being asked to do more than any other Department in the Government is being asked. And I think the numbers will show that.

But it is a huge Department and we have agreed to certain budget limits on spending, and we need to adhere to them. Relief was given in Ryan-Murray earlier this year, and I am hopeful that that would be sufficient, that we could get through this period with the help from that act. Maybe not. So we will just have to hear from you.

This really worries me. It keeps me up at night. It is the toughest thing that causes me frustration because the President is also saying if we increase any spending for the Defense Department, we have to increase non-defense spending an equal amount, doubling the amount it busts the budget that he signed. He is the commander in chief. You would think he would be here more forcefully advocating priorities that need to be set.

General Dempsey, you have heard former members of the Defense Department and others question the civilian personnel. I believe Senator Nelson mentioned that earlier. One estimate that I heard that I think is accurate, that after September 11, we have added about 100,000 civilian personnel. That was presumably to support an increase in Active-Duty Forces which was considerable, but as those Active-Duty Forces return to a level, which I understand your plans call for—returns to a level of what it was in 2011, why should we not be able to reduce civilian personnel by 100,000?

General DEMPSEY. Well, Senator, there are three groups of individual, all of whom make up the total force, and that is, of course, the service men and women, civilian Department employees, and then contractors. And contractors will take a more significant cut followed by the DOD civilians and the uniformed military.

Senator SESSIONS. But on a percentage basis, General Dempsey, personnel—will you not be reducing military uniformed personnel in a bigger percentage than civilian?

General DEMPSEY. Well, that will probably vary slightly. Not slightly. It will probably vary service by service.

But you do know, Senator, that 90 percent of the people we are talking about are not in Washington, DC. They are out in shipyards and depots and training areas. They are doing important work.

If I could, sir, I think maybe one of the Service Chiefs would want to talk about that aspect of the way they build their force.

Senator SESSIONS. Well, let me just say I fully respect their contributions, and many of these are former military people. And they will deploy. Many of them from Alabama were in Iraq and Afghani-

stan during hostilities assisting the military in their mission. However, it may be a bit harder personnel-wise to reduce a civilian employee as compared to a military employee. As for me, I do not think that should be. I think we should make sure that civilian personnel face the same evaluations that uniformed people do.

General DEMPSEY. I agree with that, Senator.

Do any of the chiefs want to talk about the civilian aspect of this?

General ODIERNO. Senator, so in the Army, we are reducing. As the Chairman said, there is a triad of military, civilian, and contractors. The military is much easier because it is a space, it is a face. So it is very easy to understand. But we have also cut the budget on our contractors. We have cut the budget on our civilians. And that is what controls the number of civilians and contractors, the number of dollars allocated. So we have come down about 20,000 civilians so far in the Army, and that will continue to come down at a rate equal to what our military members will come down as we continue to look at out-year budgets.

We are also looking very hard at reducing our contract support to our sustainment and maintenance and try to do more with uniformed personnel, and we are looking at that very carefully.

We are also looking at the contracts we have that we think are more service-related that can be done by others.

If, for example, I cut contracts and installation, then I have got to use barred military manpower. And so it is one or the other because it still has to get done. If I cut the contracts for cutting grass and doing other things, then I got to have military cut the grass. I got to have them work in our dining facilities. I got to have them do these other things that contractors have been doing. So it is all things that have to get done.

So we can cut contractors and we will. We will cut some of our civilians, but some of them we cannot because they are too valuable, as you mentioned, to everything we do. But if we do, the military is going to have to take over some of those responsibilities. And so it is just stuff that has to be done.

Again, I would just throw out there right now we are not reducing any installations because there is no BRAC. And so we are reducing 150,000 men and we have to sustain these installations, and it costs us a lot of money. And so we have to hire contractors. We have to hire civilians. And if we cannot do that, we are going to have to use barred military manpower to do it. That is the bottom line.

Senator SESSIONS. Thank you. I will submit some questions about the numbers. But my impression is that you are having a larger percentage of reduction in uniformed personnel than we are in civilian personnel, and I am troubled by that.

Chairman LEVIN. Will you give us that service by service for the record? Thank you.

[The information referred to follows:]

[COMMITTEE INSERT]

Chairman LEVIN. Senator Gillibrand?

Senator GILLIBRAND. Thank you, Mr. Chairman.

Thank you all for your service. Thank you for testifying today before our committee. I am very grateful.

Obviously, these are very tough times, and we are all concerned about how to manage our mission and operations to the best of our abilities. And as the chair of the Personnel Subcommittee, I am very worried about tradeoffs we are making in terms of military families, particularly those who are the lowest paid.

And so one of the things I am interested in, particularly with the opening statement—General Dempsey, you mentioned in your opening statement that you are unable to retire weapon systems that you no longer need and cannot afford. Can you tell us more about these systems and what kinds of savings you could find if you do retire them? Because all budgets—every time we pass a budget in Congress, it is all about priorities. So I want to hear a little bit about that as a source perhaps for funding for things that we think are higher priority.

General DEMPSEY. Yes, thanks, Senator. You know, I would like to take that one for the record as well.

[The information referred to follows:]

[COMMITTEE INSERT]

General DEMPSEY. But I will give you one example because it would cross all Services. So let me take one that is not at all controversial, the A-10. [Laughter.]

If we retire the A-10, it is \$3.5 billion in savings to the Air Force over the future years defense plan. If we do not, he has got to find \$3.5 billion someplace else. But, I mean, each Service has an example of something like that.

Senator GILLIBRAND. Thank you, and I look forward to your full response on the record.

Another issue that I care deeply about—and General Dempsey, we have talked about it, as has Admiral Winnefeld—and that is the men and women who serve in our military and their families and the sacrifices they make to do that. One of the sacrifices I do not think they should have to make is not being able to afford treatment for their kids who have autism or other developmental disabilities. I think it is so unfair that just because you will sacrifice everything for our Nation and serve for our Nation that your kid, your child, who needs these important therapies to learn, to grow, and to develop are denied it because we do not want to make them a priority. I think that is a mistake. I think it is morally wrong.

And I would like your thoughts on what is going to happen with regard to that process because I know we are combining all the programs specifically for autism. I have not seen what that is going to look like yet. But I want to know are there going to be barriers to care for children with disabilities and particularly autism.

Admiral WINNEFELD. Senator, it is a great question. Last time you and I dealt with this, we made a little stink over in the Department, and I think we actually fixed that problem. But I do not have the specifics for you. I would like to take that for the record. I believe we are on track. If we are not, I want to know about it because this is something that is terribly important to us. So we are on the same sheet of music here.

[The information referred to follows:]

[COMMITTEE INSERT]

Senator GILLIBRAND. And you do not want Federal employees' kids to have better access to care than military families' kids. That

is just not right. So I do want to just raise it because it is one of the most expensive and painful things to make sure your child gets the education they need. And a lot of the therapies are developmental. It actually affects how their brains form and whether they can reach the level of capacity that they can.

Thank you.

Admiral WINNEFELD. I think OSD Health Affairs tackled that, but I do want to get back to you to make absolutely certain.

Senator GILLIBRAND. Thank you.

Similarly, as I meet with the troops around my State, both National Guard, active duty, and Reserve, the stress on mental health access is very high. Access to mental health services to treat post traumatic stress disorder and traumatic brain injury is still quite intense. So my question is as we have had a number of families coming home, under the current TRICARE requirements, there are co-pays for these services. Do you believe that those co-pays will cause barriers to care specifically for the mental health of our troops and their families?

I had a hearing to develop the increase in suicide rates, 11 suicides a day in our military, but there is also an increase in suicide of family members because of multiple deployments, because of PTSD of servicemembers coming home. And obviously, that raises serious concerns to me. I would like to hear a little bit from any of you who want to talk about whether you see barriers to care here.

General ODIERNO. If I could, I think we are doing a good job increasing behavioral health to active forces, and we are trying to get more access to our Reserve and Guard. My concern I think is where you are headed with this—and I agree with you—is for family members because, frankly, even under TRICARE it is difficult to always get care covered for behavioral health under TRICARE for our family members. Sometimes it is accepted; sometimes it is not. Our behavioral health rules for health care need to be looked at, especially as we look at the impacts that the wars have had on our families, especially our children, and that is who I worry about significantly.

I know specific cases where a lot of out-of-pocket expense has to be expended either because it is not covered or there is a co-pay because they do not recognize certain treatments or they do not recognize—and so in my mind, this is something we have to absolutely get after over the long term.

Senator GILLIBRAND. So I would like your commitment that you will work with me on this to come up with some solutions for how best to protect our servicemembers or their families. Thank you.

And then my last set of questions are for any who want to take it, but what is the Department's plan for the increased demands at the medical treatment facilities? Does DOD plan to hire more medical providers to handle the increase of patients at the MTFs? And what will the impact on military families, both Active and Reserve, who do not live near the medical treatment facilities—are they going to be penalized for not being able to use the MTFs?

General DEMPSEY. Well, I will give you a general answer. That question probably would be best addressed to the Defense Health Agency, Dr. Woodson. But I can tell you that our recommendation

on our support for forming a single TRICARE system as opposed to multiple systems that are not interoperable with each other is to try to encourage use of MTFs and then in-service care or in-network care and then only out-of-network care as a last resort. And that is our role here as the JCS working with Dr. Woodson because we want to make sure that while we are doing that, while we are incentivizing use of MTFs, for example, there may be another process that might be trying to reduce the level of care at an MTF. And we are deeply involved in that process right now.

Senator GILLIBRAND. Thank you. Thank you all.

Chairman LEVIN. Thank you very much, Senator Gillibrand.

Gentlemen, thank you. Thank you for all you do for our Nation, for our troops and their families.

And we will now move to our second panel. We now welcome our second panel: four so-called outside witnesses. A strange word for folks who have been inside just about every important military operation or thinking that we have done in the last few decades. Retired Army General John Tilelli, Jr., Chairman of the Board of the Military Officers Association of America; retired Army General Gordon Sullivan, President and Chief Executive Officer of the Association of the U.S. Army; retired Vice Admiral John Totushek, Association of the U.S. Navy; retired Air Force General Craig McKinley, President of the Air Force Association.

Gentlemen, we thank you for your past service. We thank you for your current service to our servicemembers, the retirees and their families.

I believe that the order that we are calling on you is to first call on General Tilelli. General, thank you for being here and please give us your statement.

**STATEMENT OF GEN JOHN H. TILELLI, JR., USA, RET., CHAIRMAN OF THE BOARD, MILITARY OFFICERS ASSOCIATION OF AMERICA**

General TILELLI. It is like old home week, Mr. Chairman. Chairman Levin, Ranking Member Inhofe—

Chairman LEVIN. I apologize for that. I should know better. Please carry on.

General TILELLI.—members of the Senate Armed Services Committee, thank you for the opportunity to appear before you today to discuss the administration's fiscal year 2015 budget affecting the entire military community. On behalf of the over 380,000 members, Active, Guard, Reserve, families, veterans, survivors, and retirees, of the Military Officers Association of America, I have the honor and privilege of being here today to represent them.

At the heart of the Pentagon's budget challenge is the devastating effect of sequestration—and we have heard that several times today—and the Budget Control Act of 2011.

While debt reduction is a national priority, we believe that such a disproportional share of this burden must not be imposed on the Defense Department and especially on the backs of the military members and their families. MOAA believes that continued sequestration cuts for 2016 and beyond will place national security at risk, and we strongly urge Congress to eliminate sequestration and fund our military to levels that enable all components of the armed

forces to adequately be manned, trained, equipped, and compensated. No Federal obligation is more important than protecting our National security, and the most important element of national security is the sustainment of a dedicated top-quality all-volunteer military force.

The past 12 years of unprecedented demands and sacrifices highlight how radically different military services' conditions are from civilian life. These are the things that many budget analysts and think tanks do not understand. The times the All-Volunteer Force has been jeopardized have been due to budget-driven cutbacks in the military compensation packages that gave insufficient weight to the extraordinary demands and sacrifices inherent in a service career. Yet, today we hear that Congress must slow the growth. They state that personnel costs have risen above 40 percent more than growth in the private sector since 2000 and are squeezing out dollars for training and equipment. We believe that pitting pay and benefits against readiness is a false choice.

And it is important to put the growth since 2000 in context. The All-Volunteer Force is the key to readiness. Have costs risen since 2000? Yes, they certainly have, but using 2000 as a baseline without reflecting that in a historical context is misleading as it implies that it was an appropriate benchmark for estimating what reasonable personnel and health care spending should be. Nothing can be further from the truth.

What caused military personnel costs to grow higher than in the private sector? By the late 1990s, retention was on the ropes because years of budget cutbacks had depressed military pay to where there was a 13.5 percent pay gap. We cut retirement value by 25 percent for post-1986 entrants. We had military families paying 18 to 20 percent out of pocket for housing costs, and we moved beneficiaries over 65 out of military health care facilities.

This committee worked diligently—and I thank them for that—over the next decade to restore pay comparability, repeal our retirement cuts, zero out housing costs, and restore promised health care coverage for older retirees. And we thank you and all the members thank you.

Since 2010, Congress has already implemented changes to slow the growth. In fact, the growth has slowed. These have included significant health care fee changes, end strength reductions, pay raises that have either mirrored the private sector or in the case of this year, have been capped below the private sector. The fact is that between 2000 and 2011, personnel and health care costs experienced an average 7.8 percent rate of growth, but that cost was essential to keep the previous commitments and avoid retention and reenlistment issues and from breaking this All-Volunteer Force.

However, between 2011 and 2014, personnel cost growth has not just slowed, it has declined an average of minus 1.5 percent per year, according to OMB historical tables. The growth has slowed. In fact, it is negative at this point. And when you look at the DOD military personnel costs, which include military personnel and the defense health program, these costs average 30 percent of the overall DOD budget.

Between 2014 and 2015 pay caps, the promised housing reductions, the planned reductions in the commissary savings, and in new health care consolidation and fees, an E-5 family of four—that is a sergeant—with 10 years of service, looking at the pay tables, would lose \$5,000 in purchasing power. And an O-3, a captain, an Army or Marine Corps captain, not a Navy captain, family of four would experience a loss of \$6,000. that is a large percentage of their overall pay. And contrary to when I came into the military, we have a married force today. It is not a single force.

So MOAA believes these budget proposals would be a major step backwards towards repeating some of the mistakes and measures which led to retention and readiness problems in the past and would undo the needed compensation improvements Congress put into place since 2000 and again set us up in the future for another parity issue that will have to be resolved.

So these piecemeal budget reductions are doubly inappropriate since we have a congressional commission that will be offering even broader reform proposals next year.

America will remain the greatest power only if it continues to fill its reciprocal obligation to the only weapon system that has never let our country down, our extraordinary, dedicated, top-quality volunteer men and women who serve our country and the families who stand behind them.

Now that we are drawing down from Afghanistan, we cannot place these volunteer members of our armed forces in our rear view mirror. They listen. They know what is going on, and they do not agree with these proposals.

I thank you. I look forward to your questions. And I thank you for your service to our country, and I thank you for all you have done for our men and women who serve. Thank you, sir.

[The prepared statement of General Tilelli follows:]

Chairman LEVIN. Thank you so much, General.

General Sullivan.

**STATEMENT OF GEN GORDON R. SULLIVAN, USA, RET., PRESIDENT AND CHIEF EXECUTIVE OFFICER, ASSOCIATION OF THE U.S. ARMY**

General SULLIVAN. Mr. Chairman, Ranking Member Senator Inhofe, honorable members of the committee, before I begin my formal remarks, I want to thank each of you for your personal support, certainly the three of you that I have in front of me right now who were when I was battling times such as this back in the early 1990s. Senator Kaine, we appreciate your support now.

I want to note during that time, for some reason we seemed to have more stability primarily due to the appropriations and authorization environment, which reflected regular order. And I always felt as if you had an open ear for me when I came over to talk and give you a problem. And sometimes you at least believed me and gave me more money, if you had it and if you could get it. But you permitted us to navigate difficult terrain without a lot of constraints such as the chiefs have now. You set limits on funding and manpower and let us strike the balance as we saw fit and gave us the latitude to act. And for that I thank you.



And, Senator Levin, I probably will not see you in this kind of a role again. I want to thank you publicly for everything that you have done for the services and everything you have done for our country.

Chairman LEVIN. Thank you so much, General.

General SULLIVAN. Thanks for the opportunity to present the views of the Association of the U.S. Army. This committee has, as I said, provided extraordinary support of our active duty, guard, and Reserve, retired members, veterans of the Army and the other services, their families and survivors. And your efforts are very positive and have impacted the lives of the entire uniformed services community.

We are keenly aware that Congress and the administration have had to make difficult choices while bolstering a weak economy and addressing budget deficits. And while we recognize that debt reduction is a national priority, AUSA believes that a disproportionate share of this burden has fallen on the Department of Defense. Requiring that 50 percent of mandatory budget cuts come from defense, even though the defense budget is only 17 percent of the Federal budget, is in my view misguided and misdirected. How in such a dynamic and dangerous world can such a system be permitted to continue?

The result is that defense officials, most of the uniformed people involved, sat at this table just 15 minutes ago—is they are trying to find balance among readiness, training, education, operational activities, and modernization, as well as soldier and family program funding. Uncertain times are demanding agility and adaptability by these defense leaders here in Washington, as well as on the front lines wherever they may be. After all, look at what is happening now in Eastern Europe.

Yet, the funding policies in place that are guiding them are so rigid and so constraining and damaging to our long-term national security that continuing this formula for the better part of the next decade defies logic.

AUSA and its members urge Congress and our elected and appointed officials to eliminate sequestration or modify these unrealistically rigid budget control measures in ways which would enable responsible and accountable leaders to exercise their responsibilities in a manner that is consistent with the challenges we all face.

Now, providing for the common defense—and I do not have to tell you, but I need to say it for the record I guess—is a shared responsibility among the American people, the Congress, the President, those of us in uniform, and the citizens of the United States. And sometimes I often get the feeling that shared responsibility is a concept which has disappeared somewhere. Shared responsibility and accountability is what we are talking about here, and each one of these people who sat here is accountable to the American people. And they are being asked to make major tradeoffs in a very constrained budget environment.

AUSA believes that the primary source of the budget challenges that face the Department of Defense is the devastating effect of sequestration and the provisions of the Budget Control Act of 2011.

The Bipartisan Budget Act of 2013 mitigated this, as one of the chiefs pointed out—I think it was the Chief of Staff of the Army,

General Odierno—when he said he could buy back readiness because of the Murray-Ryan bill. However, the original sequestration cuts scheduled for 2016 through 2021 remain in effect and will exacerbate the situation that existed before the Murray-Ryan bill. And you heard General Odierno say that he would see a diminution of readiness in some of those units he brought back. And it is having a profoundly adverse effect on the defense of this Nation and it will do so well into the next decade.

Over the last 2 years, sequestration has set America on a path to reduce military readiness and reduced ability to secure our National security. Sequestered budgets are rapidly shrinking our military forces to unacceptable levels, thereby creating unready forces. All of this while even a casual observer might suggest that the world is more dangerous today than it has been in recent years.

Sequestration has also reduced our military's war-winning capabilities to unacceptably low levels and it has created unnecessary divisiveness, acrimony, and tensions within the armed forces as they struggle to meet budget goals and juggle requirements around Active, Guard, and Reserve. And I believe we must enable all components of the Armed Forces to be adequately manned, trained, and equipped to focus on the mission and not fighting over an arbitrarily depressed defense budget.

I do note—and one of them mentioned it. One of the chiefs mentioned—there were a couple of them—that developing three POM alternatives in a year is really destabilizing both within the Pentagon, and it ripples down to the field because the people at Fort Sill, Fort Benning, Fort Hood—they know when the Pentagon is coming up with different alternatives for their particular units. And it has created an atmosphere of desperation that leads to false arguments and false choices when it comes to compensation and benefits provided to all servicemembers and families who make up the All-Volunteer Force.

Sequestration, by the way, also affects the defense industrial base. Whether everybody understands that, that the industrial base today is much different than the industrial base which fueled World War II, the Korean War, and even the Vietnam War. The industrial base was much more sophisticated and diverse, and some of these weapons cannot be made overnight.

I believe the Services are being forced into a mobilization posture, whether by design or inadvertently. But if we become involved in any kind of a large-scale operation, we must turn inward to enhance ourselves or to grow ourselves. That is Active, Guard, and Reserve. And interestingly enough, it took the Active Army multiple years to create the 4th Brigade or the 101st and the 4th Brigade of other divisions. It does not happen overnight, and there is this great myth, the great American myth, that you can just ring the bell on the village green, everybody shows up, and off we go. The world does not work quite like that anymore, if it ever worked that way.

So we must rely on the force we have in being, the Active, Guard, and Reserve, and we need a balanced force. Sequestration is throwing that necessary equilibrium out of whack.

Now, I would note interesting things were said this morning. General Dempsey said if the Budget Control Act kicks back in, it

will cause unacceptable risk. Unacceptable risk he said. The Chief of Staff of the Army and Secretary McHugh in their testimony last week said "risk" a number of times, and most significantly, the Chief of Staff of the Army said serious risk to being able to perform his assigned missions in the war plan.

Gentlemen, this is a huge step, and I do not believe everybody is appreciating the implications when the chiefs of service and the Chairman of the Joint Chiefs says unacceptable risk. We have to pay attention to these words. They mean something, and they do not say these words lightly.

Not only is sequestration, being combined with the declining defense budget, having an adverse effect on military readiness, we are seeing an emergence of international doubt. You can see it on the covers of the "Economist" this week. We can see it in all of the National papers on whether the United States is a reliable ally and partner. And I do not want to go into the politics of that. I do not intend to. But we must be seen as a credible ally and a dangerous enemy. Credibility in this context is found in the perception of strength and national resolve to be responsive to not only our treaty commitments but to our partners with balanced and ready forces.

Adversaries, by the way, are watching us also, and they could make miscalculations and so forth. A credibly sized force, not just a reasonably sized force, is what is necessary. And we must maintain a viable All-Volunteer Force.

Despite extraordinary demands, men and women in uniform still answer the call, thanks in no small measure to the strong and consistent support of this committee, but this is only now at the cost of ever-increasing personal sacrifices.

As you know, service personnel are now facing even greater uncertainties with their jobs, force reduction measures, and now compensation adjustments. No Federal obligation is more important than protecting national security. It is principle number one. We all know that. You know that, and I know that. And the most important element in national security is sustainment of a top-quality career force backed by dedicated Department of Defense civilians.

By the way, I served with General Tilelli for a number of years, and interestingly enough, we did not collaborate on what I am going to say now. I acknowledge the power of high tech equipment and new equipment. But I am convinced, after being in or around the Army for 60 years, that it is not equipment which wins wars. It is high-quality men and women, our most adaptive weapon system, our most loyal, and people who will never quit. If we can continue to recruit, train, and develop and retain these people, America will remain the world's greatest power only so long as it fulfills its commitment to their training, their well-being, and their education. Our extraordinarily dedicated, top-quality, All-Volunteer Force is critical. And you have consistently recognized the cost of sustaining this current military career incentive package is far more acceptable and affordable than any alternative.

Now, in the matter of compensation, I would say in passing that we do support the military—AUSA does support the Military Compensation and Retirement Modernization Commission. And we do not want to see a return to the recent era of pay caps at this crit-

ical juncture, but it is imperative that funding be available for training and some modernization. Pay caps must not be permanent. Military pay comparability is important to the recruiting and retention of high-quality soldiers and will become more important in the future.

We are committed to military pay raises that match ECI, but this year, because of sequestration, the funds freed up by a slightly smaller pay increase is the price that had to be paid for soldiers who are trained and ready. But I do believe that cuts to COLAs must be reflective of decisions made each year based on the dynamics of the economy and the dynamics within the Department of Defense.

I want to end my testimony as I began it. Sequestration is patently unresponsive to needs of this Nation, which is part of a rapidly changing world which we cannot predict the future. We never could predict the future. I mean, people a lot smarter than me have said that, not the least of whom was the former Secretary of Defense Gates and Panetta. I mean, countless people. We all know it. It creates a paradox in my mind in which this Nation is locked into a creaky, slow-moving, lockstep budget process that is irresponsible and unaccountable. No one seems to be accountable.

Sometimes it is like people do not listen. The chiefs are saying—the Chairman of the Joint Chiefs of Staff said unacceptable risk. The Chief of Staff of the army says he is at risk of performing the mission, his battlefield mission. Those are serious pronouncements.

Sequestration profoundly affects all parts of the National security community, the Department of State, the CIA, National Security Agency, VA, and parts of the Department of Energy which are included in that particular budget line. The impact on our National security writ large must be considered.

I urge you to pursue some kind of a modification of this budget device which is being used so that we can get back to full order so that we can have a dialogue like we are having here today and decisions can be made, appropriate decisions can be made based on the needs of our Nation for our security and our National defense.

Thank you very much for your patience while I went through that. We all appreciate—certainly we at AUSA appreciate anything you can do to get rid of the burdensome sequestration. There has to be a better way.

[The prepared statement of General Sullivan follows:]

Chairman LEVIN. Thank you, General Sullivan.

Admiral Totushek, we are going to have to leave here in about 15 minutes. We will have to leave a few minutes before 1:00. So we want to leave some time for questions. So if you can adjust accordingly, that would be great. We do not want to cut your short.

**STATEMENT OF VADM JOHN B. TOTUSHEK, USN, RET. EXECUTIVE DIRECTOR, ASSOCIATION OF THE UNITED STATES NAVY**

Admiral TOTUSHEK. I will endeavor to do that, Chairman Levin. Thank you very much. Ranking Member Inhofe, members of the committee, it is always a pleasure to be with you, and thank you for your service to our country and the things you have done for our men and women in the military.

I will cut through part of this, just to highlight a few things.

The first is that we basically heard a lot of people say today that cuts will not harm the quality of life for our Navy families, but I would say that all aspects of compensation, not just pay, are part of what they look at as their pay. And it is going to definitely impact decisions they make when they are out there trying to live their lives, especially things like BAH that are reductions in what they take home each month to be able to pay their bills.

We basically are kind of the voice of sailors at AUSN, and we did a recent study basically asking some people to tell us what they thought about these impending kinds of changes that DOD has. And 90 percent of them did not like what is being proposed, a little bit contrary to what I think the chiefs are hearing when they go out there. And by the way, we do not envy the chiefs—the position they are in to try and make this balance that they are trying to make today. It is just that we think there is a bigger impact to our force than they are seeing when they go out and hold their all-hands calls.

One sailor said the cost of living has not gone down in our area. Yet, DOD has made a decision to knock down the BAH for Hampton Roads.

Another one said I think that DOD is breaking faith with what we signed up for. Things are going backwards.

Now, you may have seen today that military.com had a survey that said the same thing ours said. 90 percent of those surveys—and they surveyed 8,400 service people—do not like the proposed cuts. So what the chiefs are hearing when they go talk maybe is not the real thing that is going on.

I would tell you also that the sequestration, as General Sullivan says, makes big impacts to our readiness, to our force structure, and to our training, but it also has an impact on Navy families because the CNO said we are now forced into longer cruises and when we retain people, we do not retain just that service person. We retain the family. And the families will vote with their feet. I believe that the committee does not need to be reminded of that fact.

I will cut to the chase so that my colleague to my left has a couple moments to spend. But I would tell you that for the last 30 years, the cost of personnel in the military has remained constant at 30 percent, 33 percent. Just the PB for 2014 is 33 percent. And to say that these numbers—you have got to be including some things that military compensation does not include like the civilians or something else is in those numbers that you heard today.

So in summary, we think that really the biggest factor today that is keeping people in the military is the poor jobs market on the outside. When you couple these kinds of changes with that, we are actually going to see people walking with their feet despite what the chiefs are hearing.

With that, thank you very much for your attention, and I look forward to your questions.

[The prepared statement of Admiral Totushek follows:]

Chairman LEVIN. Thank you so much, Admiral.  
General McKinley?

**STATEMENT OF GEN. CRAIG R. MCKINLEY, USAF, RET.,  
PRESIDENT, AIR FORCE ASSOCIATION**

General MCKINLEY. Thank you, Chairman Levin. And I agree with my colleagues to thank you for your great service to our Nation. It has been nothing short of exceptional. Thank you.

Chairman LEVIN. Thank you.

General MCKINLEY. Ranking Member Inhofe, members of the committee, thank you for staying so late with us today. It has been a long day but a very educational day.

I will try to hit the wave tops because I know we have some questions from you and we would like to hear those.

On behalf of the Air Force Association's 100,000 members and our chairman, George Mulner, I would like to thank you and the entire committee for your support of our Active Duty, Guard, Reserve, civilians, retirees, and veterans of the Air Force, their families and survivors, and for the significant concern and effort you have put forth for our national security. AFA is grateful for your unwavering commitment to the men and women who defend our Nation and appreciate the priority Congress has given personnel issues in the past decade.

We also acknowledge the increasingly difficult choices before our Nation. It is an honor to be here with you and my fellow colleagues. I know we are all committed to the defense of this Nation, to those who serve and have served and their supporting loved ones.

Our airmen and retirees deserve every dollar they earn. However, as you have heard today, personnel compensation costs continue to climb at unsustainable rates, and for the Air Force, we have a much smaller force. And if not addressed, they will consume much of our combat training and modernization spending over the next few decades.

We along with the other associations believe that the sequestration provision of the Budget Control Act of 2011 is destroying military readiness and endangering national security. It has normalized a dangerously low level of defense spending, constrained defense decision-makers, and this new normal has created an unhealthy competition for resources within DOD's base budget.

I will cut to the chase. I believe we can never pay a military member enough for his or her willingness to risk their life for this Nation. However, we can ensure military members are competitively compensated to enable us to retain the All-Volunteer Force. Thanks to increases in compensation and benefits since 2001, our military members are compensated equivalently with their civilian counterparts when all benefits are included.

To conclude, with last year's grounding of 13 combat squadrons, lost opportunities for real-world training, and numerous course cancellations, to include our premier Red Flag exercise, our Air Force is at a crossroads. Sending airmen out to any contingency without the best training and equipment we can give them could imperil the mission and jeopardize lives. This is unacceptable.

Our members, stakeholders, and indeed our airmen are committed to keeping faith with the American people by providing them with an Air Force that is capable, ready, and resourced appropriately for the future.

Thanks again for inviting us over here today. I look forward to your questions.

[The prepared statement of General McKinley follows:]

Chairman LEVIN. Thank you so much, General.

Let us just do 5 minutes here.

Senator INHOFE. 4.

Chairman LEVIN. 4 minutes. Okay, I take that suggestion to make sure we all have a chance to do this before 1:00. We are back to 5 minutes.

First of all, perhaps two of you have mentioned that the numbers that have been provided for us in terms of the increase in personnel costs as percentages of the budgets of the Services are not numbers that you think are necessarily on target. And what we would do is welcome any or all of you on that subject or any other subject, but on that subject for the record. Take a look at those numbers. I think they are probably available to each of you. And tell us where you have differences from those percentages, if you do. Just for the record, that would be helpful to us.

[The information referred to follows:]

[COMMITTEE INSERT]

Chairman LEVIN. I think many of us up here do not like sequestration. You have heard me and you have heard others say that it is an abominable way to budget. It was never was intended to take effect.

We are going to be offering alternatives to sequestration. We have been talking about this now for a long time, working on alternatives for a long time, including frankly closing some of the tax loopholes in our law which do nothing in terms of productivity but are simply tax avoidance loopholes that I believe and many others believe should be closed. That would be part of an alternative. We also have to do something in the entitlement area as well.

But all of the burdens so far of reductions have fallen on discretionary accounts. And there has been nothing done on the revenue side. And so we have to, I believe, address that. And I would hope that when we come up with a specific bill, that we will send it to you and your organizations and that you would then indicate to us whether you can support these kind of alternatives to sequestration because I happen to agree with Senator Kaine—Senator King who phrased it I believe earlier today—it may have been Senator Kaine, but one of the two of you talked about the fact that we talk a lot about getting rid of sequestration, but we have not done much about it. And we put in effect these budget caps. Nobody else. And we can do something to change them. So we will send you those proposed alternatives.

Next would be the following, whether or not you could right now indicate which of these proposed changes in these personnel accounts are the most problematical, if you are able to prioritize them. I know you probably do not like any of them, and I can understand why. They all have consequences. But if you could very briefly indicate if you are able to say which of the ones that are in the budget proposal are the worst or the most problematical from your perspective. Why do we not start at the other end, but we will get to all four of you. Very briefly. I only have about a minute left. General McKinley?

General MCKINLEY. Thank you, Mr. Chairman.

I think from our membership's perspective and that of our chairman, we felt that the cost-of-living adjustment at 1 percent was a valid approach. And as General Sullivan said, I think we need to look into the out-years, that we cannot sustain that over a period of time.

TRICARE, commissary, and other issues obviously are a concern to our members. But none of them rose to the level of maintaining a strong and viable Air Force. I think if I could leave you with one point, members do not join the service, at least the Air Force, for pay, benefits, and compensation. They join because of a patriotic duty to their Nation. And over time, we have seen adequate compensation provided to our military members. I think we need to look very carefully over the next 10 years, look at what CBO is talking about in terms of the rapid growth in some of the programs like TRICARE and things like that. But overall, our members want to see a strong, viable, modernized, ready Air Force.

Thank you.

Chairman LEVIN. Thank you.

Admiral Totushek.

Admiral TOTUSHEK. We did a survey, as I said, and we got back—again 90 percent of the respondents had a problem with something. The one that was the biggest impact was the COLA actually for them. Second was TRICARE. The least was BAH.

As far as the commissary is concerned, the thing that I kept hearing was there are efficiencies to be had, but I do not see a forcing function that is going to require DECA and the commissaries to take those efficiencies just instead of doing the easy thing and raising prices. So I am not sure. Unless we have something in place for that, we are going to have that problem as well.

Chairman LEVIN. Thank you.

General Sullivan, do you have a priority list?

General SULLIVAN. We did sign up for the COLA at 1 percent because we felt that General Odierno and Secretary McHugh could buy back readiness. We were less enthusiastic about the others. So our approach was to go with the COLA.

Chairman LEVIN. Thank you.

General Tilelli?

General TILELLI. Sir, in a real sense, these structural changes that we are talking about are a reduction in compensation, earned benefits. And to prioritize them prior to what we believe the Congress? intent was, the commission who is going to look at all of this, is preemptive. And we can continue to piecemeal year on year benefits, compensation for retirees, servicemembers, survivors, and pretty soon you have created a volunteer force that is no longer viable.

So at this point, I support the commission and a true vetting of their recommendations before we prioritize anything. In a real sense, I believe waiting the year is very important to the men and women who serve to keep the faith with them.

Chairman LEVIN. Thank you.

I take it from your nodding your heads that when I talked about sending you proposals to get rid of sequestration, you indicated that your organizations would be willing to take a look at them.



General TILELLI. Yes, sir.

General SULLIVAN. I want to make one point. I did not sign up for every year capping pay. It was 1 year.

Chairman LEVIN. I understand. I think that came through very clearly. Thank you.

Senator Inhofe.

Senator INHOFE. Mr. Chairman, one observation, two quick questions. I will not even take my full 4 minutes.

First of all, we got into this mess because here we are 16 percent of the budget having to take 50 percent of the cuts. That is the problem that we have got. It is one that is a political problem that we cannot seem to address.

General Sullivan and General Tilelli, you said back on January 28th given the choice between compensation and strong national defense, strong national defense. I assume the other two of you agree with that?

Okay. Here is the problem. I look at strong national defense. That is going to have to be modernization, training, and readiness, and that is where we are not keeping up. I am going to ask the four of you if you agree with the statement by Christine Fox when she said our men and women are the first to say that they are well compensated, that the Department does not have money to maintain their equipment or supply them with the latest technology or send them to get the training that they need and then they are being done a disservice. Do you agree with that? I do too.

The last thing I would mention, would you all agree since we have this Military Compensation and Retirement Modernization Commission that is supposed to report back February 2015, I think, that it might be a little presumptuous to try to do something in this year's NDAA that could constrain the commission with the recommendations that they are studying? They might have to undo something that we have done in order to come up with their recommendations. Do you agree with that?

Admiral TOTUSHEK. Absolutely. I agree with that, and I would hope that we have the opportunity to vet that along with the Congress as we look at it for our servicemembers.

Senator INHOFE. Good.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you very much, Senator Inhofe.

Senator Reed?

Senator REED. Well, first, let me thank you all for your great service to the Nation and to the men and women you represent.

One of the issues here is looking ahead regardless of sequestration. Frankly, you are preaching to the choir. We have got to get rid of sequestration. Even if we eliminate sequestration, there is a lot of analysis that suggests that growing personnel costs will continually erode training, modernization, and we know that is critical also. Echoing the chairman, we have got to get a handle on these numbers.

Today we heard Admiral Greenert suggest that 50 percent of every dollar goes to personnel costs in the Navy. It is going to go up to 60 percent and then 70 in about a decade. I know a little enough about numbers to suggest it all depends what you are measuring.

So, Admiral, you mentioned a 33 $\frac{1}{3}$  percent constant figure. Is that active service? Is that the fully discounted cost of a service-member?

Admiral TOTUSHEK. If you look over the last 30 years—and that is in my testimony for the record—over the last 30 years if you look at TOA as opposed to the cost of our men and women—and that is total cost, including the VA—it is about 30 percent. It went up to about 33, but remember, over these last 10 years, we have increased the size of the force tremendously. So you obviously are going to have larger costs, and the percentages pretty much have stayed the same.

As General Tilelli said, we actually have seen a downtick now in the actual costs for the Department.

Senator REED. Well, let me just suggest—we cannot settle it in the next 2 $\frac{1}{2}$  minutes, but this issue of the right metric, of the right measure, which we all agree upon, is going to be absolutely critical going forward. So I thank you and will ask you again as we define what we are measuring we are consistent so we have a baseline, we can agree it is going up this percent, et cetera. That I think will help us a lot.

Another sort of issue here which we have all touched upon in our question and comments and the chiefs did also. I think we are of the vintage where we remember post support. I was shocked going up to the Navy base at Newport and having the commander, a relatively young captain, apologize to me because the grass would be little longer because the contractors will not be here as often. I said contractors cut grass?

But what General Odierno and others suggested too is that if we do not get a handle on some of these costs—it is going to be sort of mundane initially—you are going to see the old issue of one month you do not even see your troops because they are cutting grass and painting rocks. And that is not the force that we have trained today. These are superb professionals because every day we try to get every bit of training, every bit of—and that is a cost that we have to look at going forward. I do not have much time remaining, but I just want to put that one on the record too.

But I thank you again for your service, your excellent testimony, and for what you do for the men and women who served and continue to serve. Thank you.

Chairman LEVIN. Thank you, Senator Reed.

Senator Sessions.

Senator SESSIONS. I will just thank you all. I appreciate your contributions to this discussion. It is very important. We need an outside view from some former insiders, and I think that helps us.

The Budget Control Act includes the sequester. It was passed in August 2011. We are projecting to increase spending over the next 10 years by \$10 trillion. The Budget Control Act allowed it to increase by \$8 trillion not \$10 trillion. But as Senator Inhofe said, half the cuts fell on defense. Particularly because it was so rapid, it becomes destabilizing, and I wish we could have done better.

I one time proposed just increasing defense at 1 percent a year every year instead of going out—and other big cuts and going up at 2 $\frac{1}{2}$  percent a year, which we will soon be in track to do.

So thank you all for sharing this. The debt threat to America is real, but we do not need to break the faith with the men and women who say yes, sir, and go to be deployed to the worst areas on the globe at great risk.

Thank you.

Chairman LEVIN. Thank you, Senator Sessions.

Senator King.

Senator KING. Very briefly, Mr. Chairman.

I want to thank you gentlemen for joining us today and hope that you can stay engaged in this issue. One question is, are you being consulted? Have you been consulted by this commission? Have you had an opportunity to testify and provide your input?

General MCKINLEY. Yes, sir, AFA has and we have also been consulted by the Department of Defense. It is very helpful.

Senator KING. We certainly want that to continue and we want your good thoughts as we try to work through this.

You understand the box that we are in. I mean, the chiefs presented it very well, that if we do not make these changes, then we have to take the money from somewhere else. We do not have the luxury of saying, oh, well, we will just add to the budget unless we are able to do something about sequestration.

And I appreciate the statesman-like view that you took, for example, General, saying that you understand that. And it is a trade-off between readiness, training, and compensation.

So with that, I just hope you will stay engaged with us and help guide us through this difficult set of decisions. I appreciate your joining us here today. Thank you.

Chairman LEVIN. Thank you very much, Senator King.

We have received statements from outside groups and individuals, including from the following: the National Military Family Association, the Reserve Officers Association, the Reserve Enlisted Association. They and other statements which will be submitted to us will be made part of the record.

[The information referred to follows:]

[COMMITTEE INSERT]

Chairman LEVIN. We thank you for your service in and out of Government.

And we will stand adjourned.

[Whereupon, at 12:58 p.m., the committee adjourned.]