

RECORD VERSION

STATEMENT BY

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COMMITTEE ON ARMED SERVICES**

Chairman McCain, Ranking Member Reed and other distinguished members, thank you for inviting us to speak this morning about the impacts and challenges of sequestration on the Military.

I want to begin by thanking each member of the committee for their unwavering support and commitment to U.S. Army Soldiers, Civilians, and Families, particularly while we remain committed around the globe with the specter of strategic uncertainty ever present. The Nation's investment in our Armed Forces over the past decade has proven decisive in ensuring the success of American Servicemen and Women to achieve our national security objectives.

For nearly four years now, you have charged me with leading our Nation's Army and providing my best military advice. Sequestration is the single greatest barrier to the effectiveness of our Armed Forces—to its Training, Readiness, and Modernization. I assure you that ending sequestration is the most prudent measure we can take for ensuring that our military is able to meet the demands of global security now and in the future. Today, the Army is meeting every mission, just as it always has, but at a long-term cost to our people, our facilities, and our equipment.

Consequences of FY 13 Sequestration

As I have already testified, the abrupt nature of sequestration in FY13 has significantly impacted every aspect of the Army, from training to readiness to family programs. Although the Bi-Partisan Budget Act (BBA) gave us some relief from sequestration, the reduced spending levels in FY14 and FY15 have forced us to reduce our training, jeopardize readiness, defer needed maintenance upgrades, and delay or cancel much-needed procurement programs. Should sequestration or sequester funding levels return in FY16, the Army will have to further limit the readiness of forces around the world while slashing Army modernization, extending and postponing maintenance cycles, and standing by as the conditions of our facilities deteriorate.

FY13 sequestration compelled the Army to take drastic measures:

- CTC rotations for seven brigade combat teams were cancelled – the equivalent of two divisions – that were not slated to deploy to Afghanistan or serve in the Global Response Force. The seven BCTs funded for collective training at a CTC in preparation for an Afghanistan deployment were trained for the Train and Assist mission required for that theater; they were not prepared for any other contingency operation.
- Approximately \$716 million of FY13 equipment reset (maintenance) was deferred into FY14 and FY15 and contributed to a backlog of 172 aircraft awaiting maintenance
- The reset of nearly 700 vehicles, almost 2,000 weapons, over 10,000 pieces of communications equipment, Army Prepositioned Stocks and numerous Soldier equipment and clothing items was postponed
- In our aviation program, procurement of a new Armed Aerial Scout helicopter could not be afforded requiring the development of new organizational concepts to mitigate our shortfalls in Aerial Reconnaissance
- Implementation of the Aviation Restructure Initiative
- Modernization of our Apache helicopters was delayed from FY13 to FY14 and FY15

- System upgrades for unmanned aerial vehicles were delayed and cancelled
- Modernization of Air Defense Command and Control systems were delayed at a time North Korea risks increased in North East Asia
- New basic research grants in FY13 and affected grants at more than 120 universities in 38 states were halved
- From the end of FY13 through FY14, boards convened to separate up to 30% of the Captains from Year Groups 2006, 2007, and 2008, the majority of whom have served multiple deployments in combat
- Approximately 197,000 civilian employees were furloughed, 48% of whom are Veterans, forcing them to take a 20% pay cut for six weeks
- Base sustainment funds were reduced by \$2 billion, a 70% drop from historic levels of funding

In sum, the Army has adjusted to the realities of sequestration and sequestration level-funding since FY13. But despite our expectations, the demands for Army forces have increased rather than decreased around the world. In my 38 years of service, I have never seen a more dynamic and rapidly changing security environment than the one we face now. We no longer live in a world where we have the luxury of time and distance to respond to threats facing our Nation. Instead, we face a diverse range of threats operating across domains and along seams—threats that are rapidly changing and adapting in response to our posture.

Sequestration in an Evolving Global Security Environment

As the Army draws down, we have had to reduce and reorganize our force structure and involuntarily separate quality Soldiers, including some while they were serving in a combat zone. In the last twelve months, we reduced the size of the Active Component (AC) from 532,000 to 503,000, with end strength set to fall to 490K in Fiscal Year (FY) 15; and then to 450K. Similarly, the end strength in our Army National Guard is set to fall to 335K and the Army Reserve to 195K. But if sequestration returns, we will need to reduce end strength even further to 420K in the AC by FY20; and 315K in the National Guard and 185K in the Army Reserve, both by FY19. Yet, the reality we face is that the demand for Army forces throughout the world is growing while the size of the force is shrinking.

Today, we are increasingly called upon to meet the demands of Combatant Commanders. We continue to support our partners in Afghanistan. We have returned to Iraq to advise and assist Iraqi Security Forces as they fight the Islamic State of Iraq and the Levant (ISIL). We have deployed forces to Jordan and throughout the Middle East, where terrorism continues to spread and destabilize the region. In West Africa, more than 2,000 Soldiers are providing humanitarian assistance to combat the Ebola epidemic, while another 1,000 Soldiers are actively engaged in supporting partners as they combat extremism in the Horn of Africa. In Europe, Army forces have been deployed to Poland, Estonia, Latvia, and Lithuania since last spring to counter Russian aggression and assure our European allies. We stand beside these Allies who have recently been shaken by attacks in Paris. And across the Pacific, thousands of Army forces are supporting operations whether in Thailand, the Philippines, or Malaysia; Australia, Indonesia, or Korea. Around the world, we are training alongside allies and partners to help them develop professional and capable armies; and at home we are supporting civil authorities while defending our critical networks against cyber attacks.

With each one of these diverse missions, units rely on tailored teams of experts, logistics capabilities, transportation, intelligence, and communication support to accomplish the mission. In sum, we remain fully engaged with nearly 140,000 Soldiers committed, deployed, or forward-stationed conducting five named operations on six continents in nearly 140 countries, with 9 of our 10 Division Headquarters employed across the globe. But in spite of the range of threats facing our Nation, sequestration remains the law of land, and we are reducing our capacity and capability.

Rethinking Past Assumptions

For the past three years, we have developed several budget strategies in response to fiscal constraints that we knew we were going to face. In 2012, we worked very hard on drafting strategic guidance within the Pentagon based on the budget prior to sequestration—guidance that was approved by the President and discussed with Congress.

We made some assumptions in that budget that must now be revisited. We assumed we could accept risks in Europe. Now, we face major security issues in Europe ranging from increasing Russian aggression to a rise in soft target attacks by terrorist networks. We made decisions based on the fact that we were coming out of Iraq and Afghanistan and did not anticipate sending people back into Iraq. We made an assumption that although we knew we had a long fight against extremist organizations around the world, we could focus our budget primarily on defeating Al Qaeda. We now have emerging extremist networks that are destabilizing regions around the world in ways we did not foresee. Over the last year, we witnessed the growing threat and gruesome toll of ISIL.

We assumed that future conflicts will be short in duration. But the threats we face today cannot be solved quickly. Defeating ISIL will require years of sustained international commitment. Without persistent pressure and focus, groups such as ISIL will continue to ravage populations and undermine regional stability. So we must recognize that the operating environment has changed. It is important to now have a new discussion as we consider the impacts and potential risks of sequestration based on the world we live in and not the one we wish it to be.

With an increase in threats around the world that have rendered some of our planning assumptions optimistic, we must acknowledge that the FY16 post-sequestration spending cap, which was set almost four years ago, has not kept pace or accounted for an increasingly complex and dangerous world. We are now operating on multiple continents simultaneously. With the velocity of instability increasing around the world, continuing unrest in the Middle East, and the threat of terrorism growing rather than receding—witness the recent tragedies in Paris and Nigeria—now is not the time to be dramatically reducing capability and capacity.

If we are forced to take further endstrength reductions beyond the planned levels in the President's budget due to sequestration, our flexibility deteriorates, as does our ability to react to strategic surprise. We are witnessing firsthand mistaken assumptions about the number, duration, location, and size of future conflicts and the need to conduct post-stability operations. These miscalculations translate directly into increased military risk.

Long Term Impacts of Sequestration

A return to sequestration-level funding would require the Army to size and equip the force based on what we can afford, not what we need, increasing the risk that when called to deploy, we will either not have enough Soldiers or will send Soldiers that are not properly trained and equipped.

And as I have stated before, if the discretionary cap reductions from sequestration occur, the Army will be at grave risk of being unable to fully execute the Defense Strategic Guidance requirements.

In FY14, we operated with almost \$10B less in funding than in FY12, which is a major reduction. The 2014 budget, with the support of Congress, provided us some relief while enabling us to reinvest in readiness. But in FY15, we have significantly less funding than we executed in 2014 and frankly we are going to be challenged to maintain the readiness of our force. Any readiness we do generate in FY15 is coming at the expense of our long-term modernization and sustainment. Future reductions devastate the delicate balance between end strength, readiness, and modernization. Although the 2014 Bipartisan Budget Agreement and Overseas Contingency Operations (OCO) funding provided some welcome relief in FY14 and FY15, sequestration has debilitated readiness and severely reduced modernization and manpower. The Army has in effect mortgaged its future to buy back partial readiness today.

Through FY15 to FY18, as we draw down and restructure the Army into a smaller force, the Army will have significantly degraded readiness and extensive modernization program shortfalls. The Army will only start to regain balance between end strength, readiness, and modernization in FY20, albeit for a much smaller Army – not until FY23 do we begin to achieve required readiness and reinvest in modernization programs. Until then, we will have to undertake even more significant reductions in force structure and end strength at the cost of readiness and modernization, which will further frustrate our ability to fully execute the defense strategy.

Force Structure and End Strength

The Army is preparing to drawdown to 980K (450K AC, 335K ARNG, and 195K USAR). But if sequestration returns, Total Army end strength will fall an additional 60K to 920K (420K AC; 315K ARNG; 185K USAR). The impacts of these reductions will be spread across the Total Army. These are not cuts we want to make but rather cuts we are compelled to make.

We have already cut 11 Brigade Combat Teams (BCTs) from our force structure, and we will reduce an additional 4 AC BCTs from the FY15 total of 32 (to 28) to achieve a 450K AC force. But, despite operational requirements to support the strategic guidance, a return to sequestration will cut another 2 BCTs (to 26) from the AC and 2 BCTs (to 24) from the ARNG; as well as associated enablers.

The Army has to date worked deliberately to mitigate the impacts of sequestration-level funding on U.S. installations by cutting Europe and Korea-based forces and enlarging U.S.-based BCTs. However, despite efforts to implement these efficiencies, we are now compelled to reduce military and civilian personnel at U.S. installations across the country. We are reducing the size of every Headquarters by 25% by FY19. Duty positions and personnel requirements at every installation will be reduced to mission critical levels only. Across the Army, the impacts will be broad and deep.

The Army released a Supplemental Programmatic Environmental Assessment (SPEA) assessing the impacts of sequestration driving AC end strength to 420K Soldiers; it identified 30 installations with the potential to lose 1,000 or more active component Soldiers and Army civilians. These force cuts have severely impacted communities across the United States. The breadth and adverse effects of future force cuts and forced involuntary separations of thousands of Soldiers will accelerate under full sequestration each year through FY20.

Readiness

To maintain a high level of sustained readiness, it is critical that the Army receive consistent and predictable funding. Sequestration puts the Army on a path of accelerated and much deeper cuts to our forces while debilitating readiness and reducing modernization and manpower. Funding fluctuations force the Army to train and maintain the force in fits and starts, which is cost inefficient and damaging to long-term readiness.

The impacts of continued sequestration will endure for at least a decade. It is going to be the next Chief and the Chiefs after that who must respond to the long term and hidden impacts of sequestration. Readiness is not something that we can just fund piecemeal—once in a while and year to year. It has to be funded consistently over time. If not, it is fleeting, and it goes away. As we approach 2016, we can't take end strength out any faster without impacting our ability to conduct operations already committed. The Army will only be able to meet priority Global Force Management missions, and must rely on OCO funding to maintain any additional readiness for emergent needs. Under sequestration, sustainment readiness remains extremely reliant on OCO funding to mitigate risk to the program. In FY13, the Army deferred \$323.3M in Depot Maintenance and was only recently funded through the Army's FY15 OCO submission. The Army must also accept additional risk by deferring the emplacement of the Southwest Asia Army Prepositioned Stocks (APS) Fires and Sustainment brigades, an important element of the Army's revised APS strategy, for two years. The rolling sequestration impacts on readiness thus handcuff our strategic flexibility.

The Bipartisan Budget Act allowed us to buy back some training readiness in 2014 and increased funding for some training support system enabling capabilities. In FY14, the Army completed nineteen rotations at the Combat Training Centers (CTCs), including six rotations for deploying brigade combat teams (BCTs) and thirteen decisive action training rotations (twelve Active Component and one Reserve Component BCTs). We restored two of four cancelled Combat Training Center (CTC) Rotations. But due to sequestration, the Army cancelled two Reserve Component rotations. Comparatively, even though we received some relief from sequestration in FY14 and FY15, just a third of our BCTs—23 of 66—are trained in their core mission capabilities in Decisive Action and Unified Land Operations. Reducing CTCs erodes the capacity of our formations from conducting Combined Arms Maneuver. CTCs are the culmination of a comprehensive training and readiness cycle for our BCTs, enabling them to deploy worldwide at a moment's notice.

Although the Army attempts to mitigate the impacts on training readiness, we must continue to implement the Contingency Force model of FY15 in order to maintain readiness for the 24 of 60 BCTs that will receive sufficient funding to conduct training at CTCs and home station. The remaining 36 BCTs will be limited to minimum Individual/Crew/Squad resourcing levels through sufficient Training Support Systems (TSS). In short, sequestration forces the Army to ration readiness. But regardless of funding levels, we have committed to keeping Combat Training Centers a priority. That means our home station training goes unfunded except for brigades going to CTCs.

At the Soldier level, Institutional Training will also take a significant reduction that will take years to recover. Already strained, the Army will further reduce Specialized Skill Training by 85,007 seats (65% drop) and fund only the most critical courses resulting in 47,659 seats funded out of 199,212 seats (23.9%). Furthermore, this causes a training backload that will take years to reduce, hindering units' abilities to train and negatively affecting unit readiness. Ultimately, this further reduces the Army's ability to meet Combatant Commander needs for critical capabilities and skills.

Installations across the Army where Soldiers train and families live are severely impacted under current law. To contain the impacts of sequester-level funding, we have assumed significant risk within installations by relegating the impacts to installation support. These impacts will be further magnified as we mitigate readiness shortfalls. If sequestration level funding returns in FY16, Base Operations Support will be decreased by \$1 billion. No installation will be untouched by the reductions. This reduction will eliminate jobs and contract funding for grounds maintenance, pest control, custodial services, and refuse collection at all garrisons. Family programs, such as child and youth services and MWR services, will have to be reduced or fees increased to absorb this reduction.

The reduced funding levels required by sequestration, should it occur again in FY16, would only afford funding for life, health, and safety issues. The costs accumulate and for every year of sequestration level funding, it takes 2-3 years to address facility maintenance backlogs with facility sustainment reduced by over \$750 million. The cuts also reduce funding available for installation security by \$162 million, directly reducing the capability of security forces at all installations worldwide and resulting in a loss of uniformed personnel available for other missions as they assume the critical base security role. Network Services and information assurance will have to be reduced by almost \$400 million. This reduction will decrease the Army's ability to protect itself from cyber attacks across all spectrums. The fact is that traditional efficiency-seeking initiatives are not keeping pace with the decline of spending power in the defense budget.

Modernization

The Army has already undertaken significant cost cutting efforts and reduced personnel and equipment requirements during the first two years of sequestration. In the triad of impacts to sequestration, Army modernization suffers the most. Modernization accounts have been reduced by 25% and every program affected; maintenance deferred; and the defense industrial base increasingly skeptical about investing in future innovative systems needed to make the force more agile and adaptive.

As part of the balancing process, the Army has already made difficult choices in dropping the Armed Aerial Scout, Unmanned Ground Vehicle upgrades, the Mounted Soldier System, and Ground Combat Vehicle program. Under sequestration, planned upgrades to our current systems, such as UH-60 Blackhawk, Abrams, Bradley, and Stryker would be reduced or slowed (e.g. Stryker DVH upgrades will cease) leaving our Soldiers more vulnerable, especially if deploying as part of a smaller force where technology optimizes Soldier performance and capabilities. Over 270 acquisitions and modernization programs have already been impacted by sequestration, and more than 137 additional programs may also be affected under continued sequestration.

The Army is unable to protect upgrades and procurement on top of an already depleted capital investments portfolio at sequestration level funding. These modernization disruptions will stop development and production in critical programs that enable a smaller force to accomplish diverse missions. Under sequestration, the Army will have to stop the 4th Double-V Hull Brigade conversion; slow the Patriot system upgrade; halt the procurement of one new MQ-1C Gray Eagle Company and the accelerated fielding of another, both of which are needed to address the increased UAV demand in Syria and Iraq; delay the Aerial Intelligence Surveillance and Reconnaissance 2020 strategy by several years; reduce and extend the Active Electronically Scanned Array (AESA) radar development; and delay development of Radar-on-the-Network for Patriot and THAAD-integration until FY22, which is a vital capability protecting our homeland from missile threats.

In FY14, we also continued our Aviation Restructuring Initiative. Our current aviation structure is unaffordable, so the Army's plan avoids \$12.7 billion in costs while sustaining a modern fleet across all components, although there is no funding for an Armed Aerial Scout replacement. We cannot afford to maintain our current aviation structure and sustain modernization while providing trained and ready Aviation units across all three components. Therefore, we are supporting the comprehensive review of our strategy. ARI will ultimately allow us to eliminate obsolete airframes, sustain a modernized fleet, and reduce sustainment costs while maintaining all aviation brigades in the reserve component.

Modernization enables a smaller, agile, and more expeditionary Army to provide globally responsive and regionally engaged forces demonstrating unambiguous resolve. But sequestration adversely impacts the Army's ability to modernize and field critical capabilities that improve operational readiness of aging equipment. Predictable and consistent funding is required to modernize on the current timeline, meet the evolving threat, and fully execute Defense Strategic Guidance requirements. The cumulative cuts in modernization programs threaten to cede our current overmatch of potential adversaries while increasing future costs to regain or maintain parity if lost.

Army Operating Concept: Win in a Complex World

Even as the Army confronts the many challenges wrought by sequestration, we continue to seek efficiencies while adapting to the complexities of an evolving and unstable security environment. It is imperative that our Army adapts to the future Joint operating environment, one that consists of diverse enemies that employ traditional, unconventional, and hybrid strategies which threaten U.S. security and vital interests. In October of last year, we introduced the new Army Operating Concept, Win in a Complex World. This concept recognizes the changing world around us.

The Army Operating Concept reinforces our five strategic priorities:

1. Develop adaptive Army leaders for a complex world;
2. Build a globally responsive and regionally engaged Army;
3. Provide a ready and modern Army;
4. Strengthen our commitment to our Army profession; and
5. Sustain the premier All-Volunteer Army.

The Army Operating Concept describes the Army's contribution to globally integrated operations. It recognizes the need for Army forces to provide foundational capabilities required by the Combat Commanders and to synchronize and integrate effects across land and from land into the air, maritime, space, and cyberspace domains.

The Army Operating Concept ensures that we are prepared to lead Joint, Interorganizational, and Multinational Teams in complex security environments through a dedicated "Campaign of Learning" under Force 2025 Maneuvers to assess new capabilities, design, and doctrine. This enables expeditionary capabilities and enhances agility. We are assessing key capabilities such as manned-unmanned teaming, operational energy and expeditionary command posts. The Army Operating Concept represents a cost-effective way to enhance readiness, improve interoperability, and modernize the force. It is also a cost-effective way to assess and demonstrate Joint and multinational interoperability and readiness.

We are rethinking how the Army operates to "Win in a Complex World," and we ask Congress to enable us to adapt to meet what is demanded of us at home and abroad.

Congressional Action

As I have detailed above, the impacts of sequestration today and in the near future continue to be bleak. If Congress does not act to mitigate the magnitude and method of the reductions under the sequestration, the Army will be forced to make blunt reductions in end strength, readiness, and modernization. We cannot take the readiness of our force for granted. If we do not have the resources to train and equip the force, our Soldiers, our young men and women, are the ones who will pay the price, potentially with their lives. It is our shared responsibility to ensure that we never send members of our military into harm's way who are not trained, equipped, well-led, and ready for any contingency to include war. We must come up with a better solution than sequestration.

As Congress continues to work through the challenges of passing a budget and of confronting sequestration, we ask that you consider the following actions to allow us to deal with these cuts in a cost-effective way that meets strategic demands.

Relief from Sequestration. Relief from sequestration's immediate impacts has already proven effective, but under current law, there is no flexibility within the budget to adjust to these effects. The FY14 Balanced Budget Act resulted in the Army managing the impacts to which I testified in November 2013. Without relief from sequestration, the Army cannot meet defense strategic requirements, and we will be on a path to a hollow Army.

Predictable Funding. Sequestration and continuing resolutions disaggregate Army budgets and make responsible planning almost impossible. Funding fluctuations force the Army to train and maintain the force in fits and starts, which is cost inefficient and damaging to long-term readiness. As a result, things cost more and take longer to get. Modernization efforts are disrupted. And training is inefficient. Predictable funding enables the Army to minimize costs by sustaining training across the Total Army at home-station; and by maximizing agility and adaptability at combined arms training exercises, and as part of other Joint, multinational exercises.

Support for Cost-Saving Reforms. Sequestration's debilitating impacts will be compounded if we are denied the flexibility to manage these smaller budgets. The Army has made tough choices and needs Congressional support for compensation reform, force restructuring, and a cost-saving Base Realignment and Closure (BRAC).

Compensation Reform. We are extremely grateful for the high quality care and compensation our Nation has shown to our service men and women over the last decade. Military manpower costs remain at historic highs and consume 46% of the Army budget. As we go forward, we must develop compensation packages that reduce future costs but at the same time recognize and reward our Soldiers and their families for their commitment and sacrifice. If we do not slow the rate of growth of soldier compensation, it will consume a higher, disproportionate percentage of the Army budget.

Force Restructuring. As we move forward, the shaping and restructuring of the Total Army is necessary to ensure we have the right mix of talent and skills to support our Army for the future. These are crucial to us in order to maintain our professional and capable uniformed and civilian workforce.

BRAC. To offset the wide impact of sequestration, the Army supports another round of BRAC in FY19. As the Army's end strength, force structure, and funding decline, hundreds of millions of dollars are wasted maintaining underutilized buildings and infrastructure at installations we no longer need. If we do not make the tough decisions necessary to identify inefficiencies and eliminate

unused facilities, we will divert scarce resources away from training, readiness, and Family programs, and the quality of our installation services will suffer.

Conclusion

We are developing a leaner, smaller Army that remains the most highly-trained and professional All-Volunteer land force in the world; one that is uniquely organized with the capability and capacity to provide expeditionary, decisive landpower to the Joint Force, and is ready to perform the range of military operations in support of Combatant Commanders to defend the Nation and its interests at home and abroad, both today and against emerging threats.

The choices we must make to meet sequestration-level funding are forcing us to reduce our Army to a size and with limited capabilities that I am not comfortable with. If we follow this path to its end, we will find a hollow Army. For those that present the choice as one between capacity and capability, I want to remind them that for the Army, Soldiers are our capability. The Army must train and equip Soldiers to achieve decisive strategic results on the ground. If the funding dictates a smaller Army, then we must be prepared for both reduced capacity and reduced capability.

If we do not have the resources to train and equip the force, our Soldiers, our young men and women, are the ones who will pay the price, potentially with their lives. The lack of funding for readiness places the burden of our decisions on the shoulders of our Soldiers. I have a great concern about that burden. It is our shared responsibility to ensure that we never send members of our military into harm's way who are not trained, equipped, well-led, and ready for any contingency, to include war.

Today, we have the best Army in the world because we stand on the shoulders of those who came before us. It is our charge, Congress and DOD working together, to ensure that by the end of this decade, we still have the best Army as part of the greatest Joint Force in the world. Thank you for allowing me to testify today and for listening to our concerns.

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