

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

WEDNESDAY, APRIL 17, 2013

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

MILITARY POSTURE

The committee met, pursuant to notice, at 9:34 a.m. in room SH-216, Hart Senate Office Building, Senator Carl Levin (chairman) presiding.

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

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

Majority staff members present: Gabriella E. Fahrner, counsel; Richard W. Fieldhouse, professional staff member; Creighton Greene, professional staff member; Michael J. Kuiken, professional staff member; Gerald J. Leeling, general counsel; William G.P. Monahan, counsel; Michael J. Noblet, professional staff member; Roy F. Phillips, professional staff member; Russell L. Shaffer, counsel; and William K. Sutey, professional staff member.

Minority staff members present: John A. Bonsell, minority staff director; Thomas W. Goffus, professional staff member; Ambrose R. Hock, professional staff member; Anthony J. Lazarski, professional staff member; Daniel A. Lerner, professional staff member; and Lucian L. Niemeyer, professional staff member.

Staff assistants present: Kathleen A. Kulenkampff, Mariah K. McNamara, and John L. Principato.

Committee members' assistants present: Carolyn Chuhta, assistant to Senator Reed; Jeff Fatora, assistant to Senator Nelson; Jason Rauch, assistant to Senator McCaskill; Casey Howard, assistant to Senator Udall; Mara Boggs, assistant to Senator Manchin; Chad Kreikemeier, assistant to Senator Shaheen; Elana Broitman, assistant to Senator Gillibrand; Marta McLellan Ross, assistant to Senator Donnelly; Nick Ikeda, assistant to Senator Hirono; Karen Courington, assistant to Senator Kaine; Steve Smith, assistant to Senator King; Paul C. Hutton IV, assistant to

Senator McCain; Lenwood Landrum, assistant to Senator Sessions; Joseph Lai, assistant to Senator Wicker; Brad Bowman, assistant to Senator Ayotte; Peter Schirtzinger, assistant to Senator Fischer; Craig Abele, assistant to Senator Graham; Joshua Hodges, assistant to Senator Vitter; Charles Prosch, assistant to Senator Blunt; Robert Moore, assistant to Senator Lee; and Jeremy Hayes, assistant to Senator Cruz.

OPENING STATEMENT OF SENATOR CARL LEVIN, CHAIRMAN

Chairman LEVIN. Good morning, everybody. Today the committee gives a warm welcome to Secretary of Defense Chuck Hagel; General Martin Dempsey, the Chairman of the Joint Chiefs of Staff; accompanied by the Department of Defense's (DOD) Comptroller, Under Secretary Robert Hale, for our hearing on the DOD's fiscal year 2014 budget request and the posture of the U.S. Armed Forces.

We welcome Secretary Hagel on his first appearance as Secretary of Defense before this committee. We thank all of our witnesses for their service to our Nation and to the soldiers, sailors, airmen, and marines at home and in harm's way. We can never say that enough.

Your testimony today is a key component of the committee's review of the fiscal year 2014 budget request for DOD. This year's request includes \$526.6 billion for the base budget and \$88.5 billion for overseas contingency operations (OCO), although as your testimony notes, the OCO number is simply a placeholder figure pending final force level and deployment decisions.

The future of the defense budget is in flux due to Congress' failure to enact legislation reducing the deficit by \$1.2 trillion as required by the Budget Control Act (BCA). As a result of that, the DOD funding for fiscal year 2013 was reduced by sequestration in the amount of \$41 billion, and unless Congress acts, the fiscal year 2014 DOD budget will be cut by an additional \$52 billion below the funding level which is in the President's budget for fiscal year 2014 and also in the budgets passed by the Senate and the House of Representatives.

Congress can fix the budget problems by enacting legislation that reduces the deficit by \$1.2 trillion over 10 years. That would take a grand bargain, including both spending cuts and additional revenues, that would turn off the automatic spending cuts of sequestration for those 10 years. I remain hopeful we can develop such a bipartisan plan. But absent a so-called "grand bargain", surely we can devise a balanced deficit reduction package for 1 year that avoids sequestration in fiscal year 2014. We simply cannot continue to ignore the effects of sequestration.

Sequestration will have a major impact on military personnel. Though the pay of military personnel has been exempted, the sequester will reduce military readiness and needed services for our troops, including schools for military children, family support programs, and transition assistance programs and mental health and other counseling programs.

The President's budget request continues the measured draw-down of Active Duty and Reserve end strength. We have, in recent years, given DOD numerous force-shaping authorities to allow it to

reduce its end strength in a responsible way, ensuring that the Services maintain the proper force mix and avoiding grade and occupational disparities, all of which have long-term effects. If sequestration continues, the result would be more precipitous reductions, leaving us with a force structure that is out of sync with the requirements of our defense strategy.

Sequestration has already affected military readiness. We have heard testimony that as a result of cuts to flying hours, steaming hours, and other training activities, that readiness will fall below acceptable levels for all three military Services by the end of this summer. The Army, for example, has informed us that by the end of September, only one-third of its Active Duty units will have acceptable readiness ratings far below the two-thirds level that the Army needs to achieve to meet national security requirements. These cuts are having an operational impact as well. For example, four of six fighter squadrons in Europe have been grounded and the deployment of the *Truman* carrier group to the Persian Gulf has been postponed indefinitely. It will cost us billions of dollars and months of effort to make up for these shortfalls in training and maintenance, and it will be nearly impossible for us to do so if we have a second round of sequestration in fiscal year 2014. Our men and women in the military and their families should not have to face both the pressure of military service and the uncertainty about future financial support from their Government.

DOD faces these budget shortfalls at a time when 68,000 U.S. troops remain in harm's way in Afghanistan. We must, above all, ensure that our troops in Afghanistan have what they need to carry out their mission. The campaign in Afghanistan is now on track to reach a major milestone later this spring, when the lead for security throughout Afghanistan will transition fully to Afghan security forces. As our commander in Afghanistan told us yesterday, there are clear signs that the Afghan security forces are capable of taking the fight to the Taliban and are doing so effectively. Operations by Afghan security forces are increasingly conducted by Afghan units on their own, that is, without international forces present. There are fewer Afghan civilian casualties in recent months and fewer U.S. and coalition casualties, including a 4-week stretch earlier this year with no U.S. or coalition fatalities.

DOD's budget challenges, which are the subject of today's hearing, are occurring in a world full of threats to U.S. security, including North Korea's reckless rhetoric and provocative behavior, and perhaps the greatest world threat, Iran's nuclear program and its support for international terrorism.

In the interest of time, I am going to submit the remainder of my statement relative to those and other matters for the record.

[The prepared statement of Senator Levin follows:]

PREPARED STATEMENT BY SENATOR CARL LEVIN

Good morning. Today, the committee welcomes Secretary of Defense Chuck Hagel and General Martin Dempsey, the Chairman of the Joint Chiefs of Staff, accompanied by the Department's Comptroller, Under Secretary Robert Hale, for our hearing on the Department of Defense's (DOD) fiscal year 2014 budget request and the posture of the U.S. Armed Forces.

This morning's hearing is Secretary Hagel's first appearance before this committee as Secretary of Defense and we welcome you back. We thank all of you for your service to the Nation and to the soldiers, sailors, airmen, and marines at home

and in harm's way. They and their families deserve our utmost support and appreciation for their willingness to serve our Nation.

BUDGET

Your testimony today is a key component of the committee's review of the fiscal year 2014 budget request for DOD. This year's request includes \$526.6 billion for the base budget and \$88.5 billion for overseas contingency operations (OCO) although, as your testimony notes, the OCO number is a placeholder figure pending final force level and deployment decisions.

The Defense Department's fiscal year 2013 budget and the budget request for fiscal year 2014 are both in flux due to Congress' failure to enact legislation reducing the deficit by \$1.2 trillion as required by the Budget Control Act. As a result of this failure, DOD funding for fiscal year 2013 was reduced by sequestration in the amount of \$41 billion and, unless Congress acts, the fiscal year 2014 DOD budget will be cut by an additional \$52 billion below the funding level which is in the President's budget and also in the budgets passed by the Senate and the House of Representatives.

Congress can fix the budget problems by enacting legislation that reduces the deficit by \$1.2 trillion over 10 years. That would take a "grand bargain"—including both spending cuts and additional revenues—that would turn off the automatic spending cuts of sequestration for those 10 years. I remain hopeful that we can develop such a bipartisan plan. But absent a so-called grand bargain, surely we can devise a balanced deficit reduction package for one year that avoids sequestration in fiscal year 2014. We simply cannot continue to ignore the effects of sequestration.

Personnel, both military and civilian, remain our top priority. Sequestration will have a major impact on military personnel. Though the pay of military personnel has been exempted, the sequester will reduce needed services for our troops, including schools for military children, family support programs, and transition assistance programs, and possibly mental health and other counseling programs, all of which are staffed significantly by civilian employees or contractors. The Department has also informed us that there is a risk that it will be unable to pay its TRICARE bills before the end of the year, resulting in a reduction in the availability of medical services.

The President's budget request continues the measured drawdown of active duty and Reserve end strength. We have in recent years given the Department numerous force shaping authorities to allow it to reduce its end strength in a responsible way, while ensuring that the Services maintain the proper force mix, and avoid grade and occupational disparities, which have long-term effects. I have been supportive of the Department's efforts, but I remain concerned that continued sequestration could require more precipitous reductions without adequate planning, leaving us with a force structure that does not match the requirements of our defense strategy.

The President's budget also contains numerous proposals affecting the pay and benefits of our servicemembers, retirees, and their families, including a 1 percent across-the-board pay raise for fiscal year 2014, for both military and civilian personnel. While the budget's pay raise is below the expected increase in the Employment Cost Index of 1.8 percent, I support modest but equal pay raises for our military and civilian personnel. The Department also proposes, as it has for a number of years, to establish or raise certain fees relating to health care coverage for military dependents and retirees. Congress has not fully supported these proposals in past years, but given the impact of sequestration and the continued pressure the personnel and health care accounts are exerting on other areas of the budget, these proposals may be considered in a different light this year.

For civilian personnel, the situation is even worse. As a result of sequestration, the Department plans to furlough most of its 800,000 civilian employees for up to 14 days beginning in June—a pay cut of 20 percent for the rest of the year. As a number of our combatant commanders have testified, the Department's civilian workforce is an important component of the total force. DOD civilian employees play a vital role in acquiring, sustaining, and repairing weapon systems, providing logistics support to our troops in the field, providing medical care for military members and their families, developing the next generation technologies we need to keep our military edge in the future, and maintaining the infrastructure of the Department of Defense. I am concerned that if we continue to target our civilian workforce for cuts, young people may no longer see public service as a viable career—a devastating result.

Another place where sequestration will have a deep impact is on military readiness. Sequestration will cut the Department's operation and maintenance accounts by several billion dollars in fiscal year 2013, requiring deep reductions in spending

for training and maintenance. We have heard testimony that as a result of cuts to flying hours, steaming hours, and other training activities, readiness will fall below acceptable levels for all three military Services by the end of this summer. These cuts are having an operational impact as well. For example: four of six fighter squadrons in Europe have been grounded, the deployment of the *Truman* carrier group to the Persian Gulf has been postponed indefinitely, and we are unable to deploy ships that would otherwise be expected to interdict 200 tons of cocaine per year in the U.S. Southern Command area of responsibility. It will cost us billions of dollars and months of effort to make up for these shortfalls in training and maintenance and it will be nearly impossible for us to do so if we have a second round of sequestration in fiscal year 2014.

I do not believe that Members of Congress have any interest in the new round of base closures proposed as a part of this budget—but if we are unable to address the sequestration problem, we may have no choice but to reconsider. It is difficult to see how the Department could cut another \$500 billion from its budget over the next decade and still retain the same infrastructure.

SECURITY CHALLENGES

The Department faces these budget shortfalls at a time when 68,000 U.S. troops remain in harm's way in Afghanistan, and the Department must be prepared to address a myriad of other challenges on a moment's notice. This is not, in my view, a time when we can afford to be shortchanging the Department of Defense, or our men and women in uniform.

First and foremost, we must ensure that our troops in Afghanistan have what they need to carry out their mission. The campaign in Afghanistan is now on track to reach a major milestone later this spring, when the lead for security throughout Afghanistan will transition fully to the Afghan security forces. There are clear signs that the Afghan security forces are capable of taking the fight to the Taliban, and are doing so effectively. Operations by Afghan security forces are increasingly conducted unilaterally, that is, without international forces present. This has translated into fewer Afghans civilian casualties in 2012, and fewer U.S. and coalition casualties, including a 4-week stretch earlier this year with no U.S. or coalition fatalities.

Nonetheless, significant challenges remain in Afghanistan. Not least is the continuing presence of safe havens for the Afghan Taliban and associated extremist groups in Pakistan. Pakistan must do more to disrupt and degrade these deadly sanctuaries. The Government of Afghanistan needs to demonstrate its seriousness about improving governance and fighting corruption. And our bilateral relations are harmed by President Karzai's inflammatory remarks, which offend Americans and weaken U.S. support for Afghanistan. I remain hopeful that the campaign remains on the right track, but continued robust OCO funding will be necessary to ensure that we don't undermine our decades-long work as we transfer responsibility to the Afghans.

I've just outlined a daunting list of challenges for the department. It is a sign of the times that this lengthy list does not include major additional challenges: North Korea's continued belligerence; Iran's nuclear program and its support of international terrorism; or the ongoing bloodshed in Syria, about which we will hear more later today. In the interests of time I will submit the remainder of my statement for the record, but rest assured the committee remains concerned about each of those issues and more.

Before I turn to Senator Inhofe, I should also mention that this morning the committee released a report of our year-long review of Department of Defense spending overseas. The review focused on spending in Japan, South Korea and Germany, three critical allies. In order to better sustain our presence in these countries, we need to understand and manage our costs. Our review found construction projects lacking congressional or Pentagon oversight and allied contributions failing to keep up with rapidly rising U.S. costs. Every dollar spent on unnecessary or unsustainable projects is a dollar unavailable to care for our troops and their families, to maintain and modernize equipment, and to pay for necessary investments in base infrastructure. Our findings suggest that changes to how we manage spending are necessary and that closer scrutiny is warranted to avoid future commitments that may be inefficient or unaffordable.

NORTH KOREA

Over the last several months, the North Korean regime has elevated its reckless rhetoric and provocative behavior. Earlier this month, the North Korean regime announced its intention to re-start plutonium production at Yongbyon. In February,

it tested a nuclear device that appears to have a yield greater than that shown in previous North Korean tests. In December of last year, the regime put a satellite in orbit using technologies associated with long-range ballistic missiles. And last April, it displayed a road-mobile missile launcher, which may or may not be operational.

A series of United Nations Security Council resolutions—joined by China, despite its longstanding relationship with North Korea have condemned the regime’s dangerous behavior and imposed new sanctions, including tighter financial restrictions and bans on luxury goods. A few weeks ago, Secretary Hagel announced a plan to enhance our ground-based interceptor capability in Alaska. And just last week, the Department announced the deployment of a Terminal High Altitude Area Defense (THAAD) ballistic missile defense system to Guam as a precautionary measure. I support the measured steps taken by the administration to date, but the situation in Korea remains volatile.

IRAN

Iran’s continued pursuit of its nuclear program is one of the most significant challenges confronting our Nation today. There is unanimous agreement that our preferred outcome to this problem is a diplomatic arrangement that welcomes Iran back into the global community. However, I also believe most of the members of this committee share President Obama’s view that all options—including additional sanctions and military options—need to remain on the table, and that preventing Iran from acquiring a nuclear weapon is our policy.

Further, Iran’s ongoing expansion of its support to international terrorism and its capability to promote violence and instability in Syria, Yemen, Lebanon, Gaza, Sudan, Iraq, and elsewhere is also a source of great concern. It is critical that DOD map this network and build the capacity of our partners to counter it. In the case of Syria, Iran’s support of President Assad’s campaign to conquer his fellow Syrians is considered by many, including General Mattis—the former Commander of U.S. Central Command to be a key reason the Assad regime continues to operate.

COUNTERTERRORISM

The declaration of allegiance of the al Nusrah Front in Syria to al Qaeda’s senior leadership recently was a keen reminder that despite the successful operations against many of al Qaeda’s senior leaders, the United States must continue to pursue al Qaeda and its affiliates. Al Qaeda’s ability to mutate and identify emerging safe havens, such as North Africa, and its ongoing activities in the Horn of Africa and Yemen demonstrate its willingness to continue the fight. These threats remain a source of great concern, and we must ensure that DOD can continue to conduct operations that increase pressure on al Qaeda and its affiliates.

Both former Defense Secretary Leon Panetta and new Director of Central Intelligence John Brennan have expressed support for a shift of counterterrorism operations from title 50 authorities to title 10 authorities. I will be interested to hear the views of our witnesses on this issue as well.

MISSILE DEFENSE

The decision announced by Secretary Hagel on March 15 to increase the number of ground-based missile defense interceptors by nearly 50 percent in Alaska—after they have demonstrated success in realistic flight testing—is a prudent step that has several benefits. It will enhance future protection of the entire homeland to help stay ahead of the evolving North Korean and Iranian missile threats. It will also allow us to maintain our missile defense commitment to our North Atlantic Treaty Organization (NATO) allies while avoiding the cost of the expensive and delayed Phase 4 of the Phased Adaptive Approach to missile defense in Europe. And if an East Coast missile defense site proves unnecessary in the future— as our U.S. Northern Command Commander, General Jacoby, acknowledged may be the case the Secretary’s decision will allow us to enhance our Homeland missile defense against future threats from North Korea and Iran while avoiding the multi-billion dollar expense of developing and deploying such a site.

At our hearing on March 19, General Jacoby testified that all of the United States, including the east coast, is currently defended from missile threats from both North Korea and Iran. He also reiterated his strong support for continuing our “fly before you buy” approach to making sure our missile defense interceptors are realistically tested and demonstrated to work as intended before being deployed. Admiral Stavridis, our European Command and NATO Commander, told the committee that Phases 1–3 of the European Phased Adaptive Approach to missile defense remain on track to protect all of NATO Europe, including force protection of

our forward deployed forces, against Iran's current and emerging regional missiles by 2018, including interceptor sites in Romania and Poland.

In addition to the steps announced on March 15, the Department has since taken additional prudent steps to enhance our missile defense capabilities in response to North Korea's bellicose threats to launch missiles at the United States and our allies in the region. These include deployment of a THAAD battery to Guam, deployment of additional Aegis missile defense-capable destroyers in the waters off the Korean Peninsula, and deployment of the Sea-Based X-band radar to the Pacific. Last week, Admiral Locklear, our Pacific Commander, told the committee that the United States is capable of shooting down any North Korean missile, and can defend the areas threatened by North Korea, namely the United States, Hawaii, Guam, South Korea, and Japan.

ASIA-PACIFIC

Recent events on the Korean Peninsula remind us that the relative stability and prosperity that we have enjoyed in the Asia-Pacific region must not be taken for granted. The rogue North Korean regime's relentless pursuit of dangerous nuclear and missile capabilities and its callous oppression of its own people demand the continued attention of the international community, and the United States, our allies, and partners must remain vigilant and steadfast in the face of North Korea's continuous cycle of provocations and bluster.

Other challenges in the region, such as the emergence of new and ambiguous military capabilities, the uncertainties surrounding simmering territorial disputes, and the continuing threat of transnational violent extremism, underscore the need for the United States to stay actively engaged and present in this important part of the world.

CYBERSECURITY

The cybersecurity threat continues to grow and diversify. It is essential to sustain the recent momentum towards maturing Cyber Command and the broad policy framework necessary to guide its operations. This includes finalizing standing rules of engagement, operational doctrine, emergency action procedures, command relationships, and plans to establish the first genuine operational military cyber units with the mission to actively defend DOD networks, to support the war plans of the combatant commands, and to defend the Nation against a major attack in cyberspace.

There is a proposal before the Secretary of Defense to elevate Cyber Command from a sub-unified command under U.S. Strategic Command to a full-fledged unified command. The Senate and House Armed Services Committees, through the National Defense Authorization Act for Fiscal Year 2013, expressed concern and raised questions about this proposal, given the immaturity of the command and the cyber policy framework, as well as concerns about sustaining the dual-hatting of the Commander of Cyber Command as the Director of the National Security Agency.

It bears emphasizing that even when Cyber Command stands up its national cyber defense units, critical infrastructure is going to remain vulnerable to cyber attack, requiring owners and operators to work with the government pursuant to the President's recent Executive order to improve defenses, increase resiliency and redundancy, and share threat information.

With regard to China's unrelenting campaign to steal American intellectual property, I believe the time has come to act to impose costs on China for this serious threat to economic well-being and national security. It is also time to consider measures to start controlling the proliferation and trafficking of cyber tools that can be used as weapons, just as we have done for all other dangerous weapons.

Secretary Hagel, General Dempsey, and Under Secretary Hale we look forward to your testimony.

Senator Inhofe.

Chairman LEVIN. As each of us were notified, we will have a separate hearing on the growing bloodshed in Syria after the conclusion of this morning's session. We will take a half-hour break and then we will return to hear from our witnesses about the situation in Syria.

Secretary Hagel, General Dempsey, Under Secretary Hale, we look forward to your testimony. I now call on Senator Inhofe.

STATEMENT OF SENATOR JAMES M. INHOFE

Senator INHOFE. Thank you, Mr. Chairman.

First, I want to join you in welcoming our guests and especially my friend, former Senator Hagel. We worked together for a long period of time, had some differences of opinion. We will always remain good friends.

The request comes at a time when our military is facing unprecedented challenges categorized by escalating threats abroad and a growing budget crisis here at home. Unfortunately, the budget before us today is symbolic for its lack of presidential leadership necessary to overcome the unprecedented challenges facing our military. Most troubling, the budget does not even acknowledge the mandatory cuts associated with sequestration in fiscal year 2014, much less propose a plan to replace the cuts that can actually pass Congress.

This is not a new phenomenon. The defense budget cuts and fiscal uncertainty have become a hallmark of this administration. If you want to get into a lot more detail, I have an op-ed piece in this morning's *The Hill* that gets into a lot more detail.

Since entering office over 4 years ago, the President has already cut over \$600 billion from our military at a time—and this is significant—non-security-related domestic spending has increased by nearly 30 percent.

The Chairman of the Joint Chiefs of Staff recently testified that after absorbing over \$400 billion in cuts, the military cannot afford to give another dollar if they are to maintain current capabilities.

Our military leaders are warning that we are on the brink of creating a hollow force, unprepared to respond to contingencies around the world. Yet, according to the fiscal year 2014 budget request, the White House now feels that we can slice another \$120 billion out of DOD.

We are at the point in our Nation's history where our National Military Strategy is no longer guided by the threats we face or an honest assessment of the resources needed to protect our critical interests. Instead, the discussion in Washington has centered around how deeply we can cut defense. Our forces are now being asked to do more with less training, less equipment, less capability; no one's assessing the increased risk on the battlefield and increased risk of our service men and women ultimately making the sacrifice. This is unacceptable and the fiscal year 2014 budget does little to reverse this.

I think that Chairman Levin said it very well in talking about the dilemma that we are facing in our Services, the flying hours, the steaming hours. At a time our intelligence experts tell us that we face the most diverse, complex, and damaging threats to our national security in recent history, we are poised to slash defense budgets by over \$1 trillion over that period of time.

We have made this mistake before in the military drawdowns in the 1970s and 1990s which left this country with a military too small to meet the instability and the rising threats of a changing world. We need to stop this stupid argument that runaway defense spending is what is driving our country's unsustainable debt. It is disingenuous and, more important, it is just wrong.

Defense spending accounts for approximately 18 percent of Federal spending annually while non-security mandatory spending accounts for 60 percent. We are on a path where an insatiable appetite to protect domestic spending and mandatory programs is consuming our defense budget and will soon result in a hollow military.

The Commander in Chief must take a lead in restoring certainty to our budgeting process and ensure that our military leaders have appropriate resources to develop and execute plans and manage DOD efficiently. I have repeated the warnings of Admiral Sandy Winnefeld, the Vice Chairman of the Joint Chiefs, many times over the last 3 months, and this quote is an accurate quote which he has reaffirmed. "I know of no other time in history when we have come potentially down this far, this fast in the defense budget. There could be, for the first time in my career, instances where we may be asked to respond to a crisis and we will have to say we cannot do it."

We have to correct this, Mr. Chairman.

Thank you.

Chairman LEVIN. Thank you very much, Senator Inhofe.

Secretary Hagel, welcome.

Secretary HAGEL. Mr. Chairman, thank you, and to Ranking Member Inhofe and to all members of the committee, thank you for an opportunity to appear before you this morning.

Chairman LEVIN. I am going to interrupt you before you get started because we have a quorum. That means that we can now consider a list of pending military nominations. I know you would want us to do that.

So I will now ask our committee to consider 549 pending military nominations. Included in the list is the nomination of General Breedlove to be Commander, U.S. European Command and Supreme Allied Commander, Europe. Now, of these nominations, 311 are 1 day short of the committee's requirement that nominations be in the committee for 7 days before we report them out. No objection has been raised to these nominations. I recommend that we waive the 7-day rule in order to permit the confirmation of the nominations of these 311 officers, as well as the others.

Is there a motion to report?

VOICE. So moved.

Chairman LEVIN. Is there a second?

Senator INHOFE. I second the motion.

Chairman LEVIN. All in favor, say aye. [Chorus of ayes.]

Opposed, nay? [No response.]

The ayes carry.

Thank you very much.

[The list of nominations considered and approved by the committee follows:]

MILITARY NOMINATIONS PENDING WITH THE SENATE ARMED SERVICES COMMITTEE WHICH ARE PROPOSED FOR THE COMMITTEE'S CONSIDERATION ON APRIL 17, 2013.

1. LTG John W. Hesterman III, USAF, to be lieutenant general and Commander, U.S. Air Forces, Central Command, Air Combat Command (Reference No. 54).
2. Col. Richard M. Murphy, USAF, to be brigadier general (Reference No. 56).
3. In the Marine Corps, there are 98 appointments to the grade of colonel (list begins with Christopher C. Abrams) (Reference No. 112).

4. Col. Dorothy A. Hogg, USAF, to be major general (Reference No. 139).
5. MG James M. Holmes, USAF, to be lieutenant general and Vice Commander, Air Education and Training Command (Reference No. 140).
6. MG Michelle D. Johnson, USAF, to be lieutenant general and Superintendent, U.S. Air Force Academy (Reference No. 180).
7. In the Marine Corps Reserve, there are 57 appointments to the grade of colonel (list begins with Timothy L. Adams) (Reference No. 187).
8. LTG Susan J. Helms, USAF, to be lieutenant general and Vice Commander, Air Force Space Command (Reference No. 207).
9. Col. Erik C. Peterson, USA, to be brigadier general (Reference No. 209).
10. Col. Brently F. White, USAR, to be brigadier general (Reference No. 210).
11. Col. Christie L. Nixon, USAR, to be brigadier general (Reference No. 211).
12. In the Army, there are 24 appointments to the grade of major general (list begins with Jeffrey L. Bannister) (Reference No. 212).
13. LTG John E. Wissler, USMC, to be lieutenant general and Commanding General, III Marine Expeditionary Force; Commander, Marine Forces Japan (Reference No. 214).
14. MG Ronald L. Bailey, USMC, to be lieutenant general and Deputy Commandant for Plans, Policies, and Operations, Headquarters, U.S. Marine Corps (Reference No. 215).
15. LTG Steven A. Hummer, USMC, to be lieutenant general and Deputy for Military Operations, U.S. Africa Command (Reference No. 216).
16. LTG Kenneth J. Glueck, Jr., USMC, to be lieutenant general and Deputy Commandant for Combat Development and Integration; Commanding General, Marine Corps Combat Development Command; Commander, U.S. Marine Corps Forces Strategic Command; Commanding General, Marine Corps National Capital Region Command; and Commander, U.S. Marine Corps Forces Cyber Command (Reference No. 217).
17. In the Army, there is one appointment to the grade of lieutenant colonel (Jonathan F. Potter) (Reference No. 220).
18. In the Army, there are two appointments to the grade of major (list begins with Hilario A. Pascua) (Reference No. 221).
19. In the Army Reserve there are two appointments to the grade of colonel (list begins with James D. Peake) (Reference No. 222).
20. In the Army, there are six appointments to the grade of colonel and below (list begins with John D. Pitcher) (Reference No. 223).
21. In the Army Reserve, there are six appointments to the grade of colonel (list begins with Mark L. Allison) (Reference No. 224).
22. In the Army Reserve, there are seven appointments to the grade of colonel (list begins with Phillip E. Appleton) (Reference No. 225).
23. In the Navy, there is one appointment to the grade of commander (Joseph R. Primeaux, Jr.) (Reference No. 229).
24. In the Navy, there is one appointment to the grade of captain (Gary S. Phillips) (Reference No. 232).
25. In the Navy, there is one appointment to the grade of lieutenant commander (Genevieve Buenaflor) (Reference No. 233).
26. In the Navy, there is one appointment to the grade of lieutenant commander (Freddie R. Harmon) (Reference No. 234).
27. In the Navy, there is one appointment to the grade of lieutenant commander (Catherine W. Boehme) (Reference No. 235).
28. In the Navy, there are two appointments to the grade of lieutenant commander (list begins with Todd W. Mills) (Reference No. 236).
29. Capt. Bret J. Mulenburg, USN, to be rear admiral (lower half) (Reference No. 249).
30. Capt. Adrian J. Jansen, USN, to be rear admiral (lower half) (Reference No. 254).
31. Gen. Philip M. Breedlove, USAF, to be general and Commander, U.S. European Command and Supreme Allied Commander, Europe (Reference No. 263).
32. MG Mark O. Schissler, USAF, to be lieutenant general and Deputy Chairman, North Atlantic Treaty Organization Military Committee (Reference No. 267).
33. MG Robert P. Otto, USAF, to be lieutenant general and Deputy Chief of Staff for Intelligence, Surveillance, and Reconnaissance, Headquarters, Air Force (Reference No. 268).
34. BG Scott W. Jansson, USAF, to be major general (Reference No. 269).
35. LTG Daniel B. Allyn, USA, to be general and Commanding General, U.S. Army Forces Command (Reference No. 270).
36. LTG James L. Terry, USA, to be lieutenant general and Commanding General, U.S. Army Central Command/Third U.S. Army (Reference No. 271).

37. MG Perry L. Wiggins, USA, to be lieutenant general and Commanding General, U.S. Army North/Fifth U.S. Army (Reference No. 272).
38. LTG Richard P. Mills, USMC, to be lieutenant general and Commander, Marine Forces Reserve and Commander, Marine Forces North (Reference No. 276).
39. In the Air Force, there is one appointment to the grade of major (Lou Rose Malamug) (Reference No. 279).
40. In the Air Force, there is one appointment to the grade of major (Kelly A. Halligan) (Reference No. 280).
41. In the Army, there is one appointment to the grade of major (Andrew W. Beach) (Reference No. 281).
42. In the Army, there is one appointment to the grade of major (Donald V. Wood) (Reference No. 282).
43. In the Navy, there is one appointment to the grade of lieutenant commander (Richard J. Witt) (Reference No. 285).
44. In the Air Force, there are three appointments to the grade of major (list begins with Christopher E. Curtis) (Reference No. 300).
45. In the Air Force, there are four appointments to the grade of colonel (list begins with Timothy A. Butler) (Reference No. 301).
46. In the Air Force, there are nine appointments to the grade of colonel and below (list begins with John T. Grivakis) (Reference No. 302).
47. In the Air Force, there are 11 appointments to the grade of colonel (list begins with Danny L. Blake) (Reference No. 303).
48. In the Air Force, there are 14 appointments to the grade of lieutenant colonel (list begins with Richard G. Anderson) (Reference No. 304).
49. In the Air Force, there are 17 appointments to the grade of colonel (list begins with Jeffrey R. Alder) (Reference No. 305).
50. In the Air Force, there are 20 appointments to the grade of major (list begins with Ronnelle Armstrong) (Reference No. 306).
51. In the Air Force, there are 51 appointments to the grade of lieutenant colonel (list begins with Maiya D. Anderson) (Reference No. 307).
52. In the Air Force, there are 126 appointments to the grade of major (list begins with Matthew G. Adkins) (Reference No. 308).
53. In the Army, there is one appointment to the grade of colonel (Suzanne C. Nielsen) (Reference No. 310).
54. In the Army, there is one appointment to the grade of major (Ann M. Rudick) (Reference No. 311).
55. In the Army, there is one appointment to the grade of major (Matthew P. Weberg) (Reference No. 312).
56. In the Army, there is one appointment to the grade of major (Grady L. Gentry) (Reference No. 313).
57. In the Navy Reserve, there is one appointment to the grade of captain (Oleh Haluszka) (Reference No. 316).
58. In the Navy, there are three appointments to the grade of lieutenant commander (list begins with Stephen S. Cho) (Reference No. 317).
59. In the Navy, there are 48 appointments to the grade of lieutenant commander (list begins with Timothy R. Anderson) (Reference No. 318).
- Total: 549.

Chairman LEVIN. Mr. Secretary?

Secretary HAGEL. Is the hearing over?

Chairman LEVIN. It is. [Laughter.]

At least for the 549 nominees, it is over. [Laughter.]

Secretary HAGEL. It is a damn efficient committee. [Laughter.]

Thank you. I know General Dempsey and all of us are very pleased with that action, as will be other members of our team. So we appreciate your deliberation and your action.

Mr. Chairman, before I begin my formal presentation, which you have noted, I have a longer version that has been distributed, I believe, last night to the committee and committee members on the fiscal year 2014 budget.

Let me say on behalf of the men and women that represent our Armed Forces both in uniform and civilians that our prayers and hearts go out to the people in Boston, the families who lost loved ones, those who were injured, wounded by this despicable act. We

are very proud of how our leaders and those responsible for assisting and dealing with the tragedy in Boston, how they have responded. We are particularly proud of our National Guard who are still working with local officials. I wanted to put that on the record, Mr. Chairman, and make that of considerable note. Thank you.

Chairman LEVIN. We thank you very much for that. Our sympathies were reflected yesterday at a hearing that we had here, and we surely join you in your sentiments.

STATEMENT OF HON. CHARLES T. HAGEL, SECRETARY OF DEFENSE; ACCOMPANIED BY ROBERT HALE, COMPTROLLER, DEPARTMENT OF DEFENSE

Secretary HAGEL. Thank you.

Allow me first to express my appreciation and that of DOD to this committee and each of its members for its continued support of our men and women in uniform and our civilian workforce. They are doing tremendous work, Mr. Chairman and Senator Inhofe, as you have both noted, and they are making great sacrifices, along with their families, as they have for more than 11 years of our Nation being at war. Their dedication and professionalism are the foundation of our military strength. As we discuss numbers, budgets, and strategic priorities this morning, we will not lose sight of those men and women serving across the globe. As you all know, their well-being depends on the decisions we make here in Washington.

Today, DOD faces the significant challenge of conducting long-term planning and budgeting at a time of considerable uncertainty, both in terms of the security challenges we face around the globe and the levels of defense spending we can expect here at home.

Even as the military emerges and recovers from more than a decade of sustained conflict in Iraq and Afghanistan, it confronts an array of complex threats of varying vintage and degree of risk to the United States, to include: the persistence of violent extremism throughout weak states and ungoverned spaces in the Middle East and North Africa; the proliferation of dangerous weapons and materials; the rise of new powers competing for influence; the risk of regional conflicts which could draw in the United States; faceless, nameless, silent, and destructive cyber attacks; the debilitating dangerous curse of human despair and poverty; and the uncertain implications of environmental degradation.

Meanwhile, the frenetic pace of technological change and the spread of advanced military technology to state and non-state actors pose an increasing challenge to America's military.

This is the strategic environment facing DOD as it enters a third year of flat or declining budgets. The onset of these resource constraints has already led to significant and ongoing belt-tightening in military modernization, force structure, personnel costs, and overhead expenditures. You have noted some of those, Mr. Chairman. It has also given us an opportunity to reshape the military and reform defense institutions to better reflect 21st century realities, flexibility, and agility.

The process began under the leadership of Secretary Gates who canceled or curtailed more than 30 modernization programs and

trimmed overhead costs within the military Services and across the defense enterprise.

The realignment continued under Secretary Panetta who worked closely with the President and the Joint Chiefs of Staff to craft new defense strategic guidance and a fiscal year 2013 defense budget plan which reduced DOD's top line by \$487 billion over the course of a decade.

The President's request of \$526.6 billion for DOD's base budget for fiscal year 2014 continues to implement the President's defense strategic guidance and enhances DOD's efforts at institutional reform. Most critically, it sustains the quality of the All-Volunteer Force and the care we provide our servicemembers and their families, which underpins everything we do as an organization.

Before discussing the particulars of this budget request, however, allow me to address the profound budget problems facing DOD in fiscal year 2013 and beyond as a result of sequester. Congress and DOD have a responsibility to find answers to these problems together because we have a shared responsibility. We have a shared responsibility to protect our national security. DOD is going to need the help of this committee. We are going to need the help of Congress to manage through this uncertainty.

The fiscal year 2013 DOD appropriations bill enacted by Congress last month addressed many urgent problems by allocating DOD funding more closely in line with the President's budget request, giving DOD authorities to start new programs and allowing us to proceed with important military construction (MILCON) projects. Nonetheless, the bill still left in place the deep and abrupt cuts associated with sequester, as much as \$41 billion in spending reductions over the next 6 months. Military pay and benefits are exempt, as you have noted, Mr. Chairman, they are exempt from the sequester. We made a decision to shift the impact of sequester from those serving in harm's way.

Furthermore, the military is experiencing higher operating tempos and higher transportation costs than expected when the budget request was formulated more than a year ago. As a result of all these factors, DOD is now facing a shortfall in our operation and maintenance accounts for fiscal year 2013 of at least \$22 billion in our base budget for Active Forces.

In response, DOD has reduced official travel, cut back sharply on facilities maintenance, imposed hiring freezes, and halted many other important but lower priority activities. However, we will have to do more. We will have to do much more. We will soon send to Congress a large reprogramming request designed to offset some of our shortfalls, especially shortfalls in wartime funding, and we ask your help with its speedy review and approval. This reprogramming will be limited by ceilings on transfer authority and so can only solve some of our problem.

We will have to continue to consider furloughing civilian personnel in the months ahead. There will also be significant cuts in maintenance and training, which further erodes the readiness of the force and will be costly to regain in the future. As the Service Chiefs have said, we are consuming our readiness. Meanwhile, our investment accounts and the defense industrial base are not spared damage as we also take indiscriminate cuts across these areas of

the budget. We will continue to need the strong partnership of this committee to help us address these shortfalls.

If the sequester-related provisions of the BCA of 2011 are not changed, fiscal year 2014 funding for national defense programs will be subject to a steeply reduced cap, which would further cut DOD funding by roughly \$52 billion. If there is no action by Congress and the President, roughly \$500 billion in reductions to defense spending would be required over the next 9 years.

As an alternative, the President's budget proposes some \$150 billion in additional defense savings over the next decade. These cuts are part of a balanced package of deficit reduction. Unlike sequester, these cuts are largely back-loaded, occurring mainly in the years beyond fiscal year 2018. That gives DOD time to implement these reductions wisely, carefully, responsibly, and anchored by the President's defense strategic guidance.

Now, let me turn to the details of the President's budget request for fiscal year 2014.

The \$526.6 billion fiscal year 2014 budget request continues to balance the compelling demands of supporting our troops still at war in Afghanistan, protecting readiness, modernizing the military's aging weapons inventory in keeping with the President's strategic guidance, and sustaining the quality of the All-Volunteer Force.

Today's budget request also contains a placeholder request, which you have noted, Mr. Chairman, for OCO at the fiscal year 2013 level, \$88.5 billion. The submission does not include a formal OCO request because Afghanistan force level and deployment decisions for this year were delayed in order to provide commanders enough time to fully assess responsibilities and requirements. We will soon be submitting an OCO budget amendment with a revised spending level and account-level detail.

The base budget being presented today continues DOD's approach of the last several years to first target growing costs in the areas of support, acquisition, and pay and benefits before cutting military capabilities and force structure. This budget identifies new savings of about \$34 billion in fiscal year 2014 through 2018, including \$5.5 billion in fiscal year 2014 from these areas.

In order to maintain balance and readiness, DOD must be able to eliminate excess infrastructure as it reduces force structure. DOD has been shedding infrastructure in Europe. We have been shedding infrastructure in Europe for several years and consolidating that infrastructure and are undertaking a review of our European footprint this year. But we also need to look at our domestic footprint. Therefore, the President's fiscal year 2014 budget request authorizes one round of base realignment and closure (BRAC) in 2015.

BRAC is a comprehensive and fair tool that allows communities to have a role in the reuse decisions for their property and provides development assistance. BRAC, as we all know, is imperfect and there are upfront costs for BRAC. The Future Years Defense Program (FYDP) adds \$2.4 billion to pay for those costs, but in the long term there are significant savings. The previous five rounds of BRAC are saving \$12 billion annually, and those savings will continue.

DOD continues to streamline its acquisition programs and processes and, over the past 4 years, we have realized significant cost savings as a result of reforms implemented by the Weapons System and Acquisition Reform Act of 2009, sponsored by Chairman Levin and Senator McCain. In this budget, DOD has also achieved \$8.2 billion in savings from weapons program terminations and restructuring.

For example, by revising the acquisition strategy for the Army's ground combat vehicle, DOD will save over \$2 billion in development costs. In other cases, DOD used evolutionary approaches to develop new capabilities instead of relying on leap-ahead gains in technology.

The cost of military pay and benefits are another significant driver of spending growth that must be addressed in the current fiscal environment. In this budget, DOD is substituting a new package of military compensation proposals that take into consideration congressional concerns associated with those from fiscal year 2013. These changes save about \$1.4 billion in fiscal year 2014 and a total of \$12.8 billion in fiscal years 2014 through 2018.

This package includes a modest slowing of the growth of military pay by implementing a 1 percent pay raise for servicemembers in 2014. DOD is also seeking additional changes to the TRICARE program in the fiscal year 2014 budget to bring the beneficiaries' costs closer to levels envisioned when the program was implemented, particularly for working-age retirees. Survivors of military members who died on Active Duty or medically retired members would be excluded from all TRICARE increases. Even after the proposed changes in fees, TRICARE will still remain a very substantial benefit.

These adjustments to pay and benefits were among the most carefully considered and most difficult choices in the budget. They were made with strong support of the Joint Chiefs of Staff and the senior enlisted leadership in recognition that in order to sustain these benefits over the long term, without dramatically reducing the size or readiness of the force, these rising costs will need to be brought under control.

Nevertheless, spending reductions on the scale of the current drawdown cannot be implemented through improving efficiency and reducing overhead alone. Cuts and changes to capabilities, force structure, and modernization programs will all be required. The strategic guidance issued in January 2012 set the priorities and the parameters and informed those choices, and the fiscal year 2014 budget submission further implements and deepens program alignment to this strategic guidance.

The new strategy calls for a smaller, leaner, more agile, more flexible force. Last year, we proposed reductions of about 100,000 in military end strength between 2012 and 2017. Most of those reductions occur in the ground forces and are consistent with the decision not to size U.S. ground forces to accomplish prolonged stability operations, while maintaining adequate capability should such activities again be required. By the end of 2014, we will have completed almost two-thirds of the drawdown of our ground forces, and the drawdown should be fully complete by fiscal year 2017.

Increased emphasis on the Asia-Pacific and the Middle East represents another key tenet of the new defense strategic guidance. This budget continues to put a premium on rapidly deployable, self-sustaining forces such as submarines, long-range bombers, and carrier strike groups. They all can project force over great distance and carry out a variety of complicated missions.

This new strategy leverages new concepts of operation enabled by advances in space, cyberspace, special operations, global mobility, precision-strike, missile defense, and other capabilities. By making difficult tradeoffs in lower priority areas, the fiscal year 2014 budget protects or increases key investments in these critical capabilities.

Another area of focus in this budget request is sustaining the readiness and quality of the All-Volunteer Force. The high quality of our All-Volunteer Force continues to be the foundation of our military strength. The fiscal year 2014 budget request includes \$137.1 billion for military personnel, as well as \$49.4 billion for military medical care. Together, these make up roughly one-third of our base budget. This budget seeks to ensure that our troops receive the training and the equipment they need for military readiness and the world-class support programs they and their families have earned and deserve.

DOD continues to support key provisions and programs in fiscal year 2014 that support servicemembers and their families, spending \$8.5 billion on initiatives that include transition assistance and veterans employment assurance, behavioral health, family readiness, suicide prevention, and sexual assault prevention and response. The fiscal year 2014 budget is a reflection of DOD's best efforts to match ends, ways, and means during a period of intense fiscal uncertainty.

It is obvious that significant changes, Mr. Chairman, to DOD's top-line spending would require changes to this budget plan. DOD must plan for any additional reductions to the defense budget that might result in Congress and the administration agreeing on a deficit reduction plan. It must be prepared in the event that sequester-level cuts persist for another year or over the long term.

Consequently, I directed a Strategic Choices and Management Review in order to assess the potential impact of further reductions up to the level of full sequester. The purpose of this review is to reassess the basic assumptions that drive DOD's investment and force structure decisions.

The review will identify strategic choices and further institutional reforms that may be required, including those reforms which should be pursued regardless of fiscal pressures. It is designed to help understand the challenges, articulate the risks, and look for opportunities for reform and efficiencies presented by resource constraints. Everything will be on the table during this review: roles and missions, planning, business practices, force structure, personnel, compensation, acquisition and modernization investments, how we operate, and how we measure and maintain readiness.

This review is being conducted by Deputy Secretary of Defense Carter working with General Dempsey. The Service Secretaries, Service Chiefs, Office of the Secretary of Defense principals, and combatant commanders will serve as essential participants. Our

aim is to include this review which is now underway by May 31. The results will inform our fiscal year 2015 budget request and will be the foundation for the Quadrennial Defense Review due in Congress in February of next year.

It is already clear to me, Mr. Chairman, that achieving significant additional budget savings without unacceptable risk to national security will require not just tweaking or chipping away at existing structures and practices but, if necessary, fashioning entirely new ones that better reflect 21st century realities. That will require the partnership of Congress.

The fiscal year 2014 budget and the ones before it have made hard choices. In many cases, modest reforms to personnel and benefits, along with efforts to reduce infrastructure and restructure acquisition programs, met fierce political resistance and were not implemented.

We are now in a completely different fiscal environment dealing with new realities that will force us to more fully confront these tough and painful choices and to make the reforms we need to put DOD on a path to sustain or maintain our military strength for the 21st century. But in order to do that, we will need flexibility, time, and some budget certainty.

We will also need to fund the military capabilities that are necessary for the complex security threats of the 21st century. I believe the President's budget does that. With the partnership of Congress, DOD can continue to find new ways to operate more affordably, efficiently, and effectively. However, multiple reviews and analyses show that additional major cuts, especially those on the scale and timelines of sequestration, would require dramatic reductions in core military capabilities or the scope of our activities around the world.

Mr. Chairman, that completes my formal remarks. As I said, I have a more detailed report that I have submitted for the record. I appreciate the time of the committee and look forward to your questions.

Now I know you would like to hear from Chairman Dempsey.

Thank you.

[The prepared statement of Secretary Hagel follows:]

PREPARED STATEMENT BY HON. CHARLES T. HAGEL

Chairman Levin, Senator Inhofe, members of the committee, thank you for this opportunity to discuss the President's fiscal year 2014 budget request for the Department of Defense (DOD).

Allow me to express my appreciation to this committee for its continued support of our men and women in uniform and our civilian workforce. They are doing tremendous work and making great sacrifices, along with their families, as they have for the more than 11 years our Nation has been at war. Whether fighting in Afghanistan, patrolling the world's sea lanes, standing vigilant on the Korean Peninsula, supplying our troops around the world, or supporting civil authorities when natural disasters strike, they are advancing America's interests at home and abroad. Their dedication and professionalism are the foundation of our military strength.

As we discuss numbers, budgets, and strategic priorities, we will not lose sight of these men and women serving across the globe. As you all know, their well-being depends on the decisions we make here in Washington.

FISCAL AND STRATEGIC CONTEXT

Today, DOD faces the significant challenge of conducting long-term planning and budgeting at a time of considerable uncertainty—both in terms of the security chal-

lenges we face around the world and the levels of defense spending we can expect here at home.

Even as the military emerges—and recovers—from more than a decade of sustained conflict in Iraq and Afghanistan, it confronts an array of complex threats of varying vintage and degrees of risk to the United States, to include:

- the persistence of violent extremism throughout weak states and ungoverned spaces in the Middle East and North Africa;
- the proliferation of dangerous weapons and materials;
- the rise of new powers competing for influence;
- the risk of regional conflicts which could draw in the United States;
- faceless, nameless, silent and destructive cyberattacks;
- the debilitating and dangerous curse of human despair and poverty, as well as the uncertain implications of environmental degradation.

Meanwhile, the frenetic pace of technological change and the spread of advanced military technology to state and non-state actors pose an increasing challenge to America's military.

This is the strategic environment facing DOD as it enters a third year of flat or declining budgets. The onset of these resource constraints has already led to significant and ongoing belt-tightening in military modernization, force structure, personnel costs, and overhead expenditures. It has also given us an opportunity to reshape the military and reform defense institutions to better reflect 21st century realities.

The process began under the leadership of Secretary Gates, who canceled or curtailed more than 30 modernization programs and trimmed overhead costs within the military services and across the defense enterprise. These efforts reduced the Department's topline by \$78 billion over a 5-year period, as detailed in the Department's fiscal year 2012 budget plan.

The realignment continued under Secretary Panetta, who worked closely with the President and the Joint Chiefs of Staff to craft new defense strategic guidance and a fiscal year 2013 defense budget plan which reduced the Department's topline by \$487 billion over the course of a decade. Even while restructuring the force to become smaller and leaner and once again targeting overhead savings, this budget made important investments in the new strategy—including rebalancing to Asia and increasing funding for critical capabilities such as cyber, special operations, global mobility, and unmanned systems.

The President's request of \$526.6 billion for DOD's base budget for fiscal year 2014 continues to implement the President's defense strategic guidance and enhances the Department's efforts at institutional reform. Most critically, it sustains the quality of the All-Volunteer Force and the care we provide our servicemembers and their families, which underpins everything we do as an organization.

CHALLENGES IN FISCAL YEAR 2013

Before discussing the particulars of this budget request, however, allow me to address the profound budget problems facing the Department in fiscal year 2013 and beyond as a result of sequester—because they have significantly disrupted operations for the current fiscal year and greatly complicated efforts to plan for the future. Congress and DOD have a responsibility to find answers to these problems together—because we have a shared responsibility to protect our national security. DOD is going to need the help of Congress to manage through this uncertainty.

The fiscal year 2013 DOD Appropriations bill enacted by Congress last month addressed many urgent problems by allocating DOD funding more closely in line with the President's budget request than a continuing resolution would have, giving the Department authorities to start new programs, and allowing us to proceed with important military construction projects. Nonetheless, the bill still left in place the deep and abrupt cuts associated with sequester—as much as \$41 billion in spending reductions over the next 6 months. With military pay and benefits exempt from the sequester, and our internal decision to shift the impact of sequestration away from those serving in harm's way and spread them to the rest of the force where possible, the cuts fall heavily on DOD's operations, maintenance, and modernization accounts that we use to train and equip those who will deploy in the future.

Furthermore, the military is experiencing higher operating tempos and higher transportation costs than expected when the budget request was formulated more than a year ago. As a result of all these factors, the Department is now facing a shortfall in our operation and maintenance (O&M) accounts for fiscal year 2013 of at least \$22 billion in our base budget for Active Forces.

In response, the Department has reduced official travel, cut back sharply on facilities maintenance, imposed hiring freezes, and halted many other important but

lower-priority activities. However, we will have to do more. We will soon send to Congress a large reprogramming request designed to offset some of our shortfalls, especially shortfalls in wartime funding, and we ask your help with its speedy review and approval. This reprogramming will be limited by ceilings on transfer authority and so can only solve part of our problem.

We will have to continue to consider furloughing civilian personnel in the months ahead. There will also be significant cuts in maintenance and training, which further erodes the readiness of the force and will be costly to regain in the future. As the Service Chiefs have said, we are consuming our readiness. Meanwhile, our investment accounts and the defense industrial base are not spared damage as we also take indiscriminate cuts across these areas of the budget. We will continue to need the strong partnership of this committee to help us address these shortfalls.

If the sequester-related provisions of the Budget Control Act of 2011 are not changed, fiscal year 2014 funding for national defense programs will be subject to a steeply reduced cap, which would cut DOD funding by roughly \$52 billion further. If there is no action by Congress, roughly \$500 billion in reductions to defense spending would be required over the next 9 years.

As an alternative, the President's budget proposes some \$150 billion in additional defense savings (measured in terms of budget authority) over the next decade when compared with the budget plan submitted last year. These cuts are part of a balanced package of deficit reduction. Unlike sequester, these cuts are largely back-loaded—occurring mainly in the years beyond fiscal year 2018—which gives the Department time to plan and implement the reductions wisely, and responsibly, anchored by the President's defense strategic guidance.

FISCAL YEAR 2014 BUDGET REQUEST

The President's fiscal year 2014 request continues to balance the compelling demands of supporting troops still very much at war in Afghanistan, protecting readiness, modernizing the military's aging weapons inventory in keeping with the president's strategic guidance, and sustaining the quality of the All-Volunteer Force.

The top-line budget request of \$526.6 billion for fiscal year 2014 is essentially flat compared to the President's request for fiscal year 2013, and roughly in line with what both the House and Senate have passed in their fiscal year 2014 budget resolutions.

Today's budget request also contains a placeholder request for overseas contingency operations (OCO) at the fiscal year 2013 level (\$88.5 billion). The submission does not include a formal OCO request because Afghanistan force level and deployment decisions for this year were delayed in order to provide commanders enough time to fully assess requirements. We will soon be submitting an OCO budget amendment with a revised level and account-level detail.

The following are the major components of the \$526.6 billion fiscal year 2014 base budget request:

- Military pay and benefits (including TRICARE and retirement costs)—\$170.2 billion (32 percent of the total base budget);
- Operating costs (including \$77.3 billion for civilian pay)—\$180.1 billion (34 percent);
- Acquisitions and other investments (procurement, research, development, test and evaluation, and new facilities construction)—\$176.3 billion (33 percent)

The budget presented today, at its most basic level, consists of a series of choices that reinforce each of the following complementary goals:

- making more disciplined use of defense resources;
- implementing the President's defense strategic guidance;
- seeking to sustain the readiness and quality of the All-Volunteer Force;
- supporting troops deployed and fighting in Afghanistan.

Many of the reductions we are being forced to make in fiscal year 2013 as a result of sequester run counter to these goals.

1. Making more disciplined use of defense resources

In developing the fiscal year 2014 budget, the Department identified about \$34 billion in savings over the current Future Years Defense Program (FYDP), which covers fiscal year 2014 to fiscal year 2018. These savings were used to help pay the costs of implementing the new defense strategy and to accommodate budget reductions.

These efforts continue the Department's approach of the last several years to first target growing costs in areas of support, acquisition, and pay and benefits, before cutting military capabilities and force structure.

Reducing Support Costs

In order to maintain balance and readiness, DOD must be able to eliminate excess infrastructure as it reduces force structure. DOD has been shedding infrastructure in Europe for several years and we are undertaking a review of our European footprint this year, but we also need to look at our domestic footprint. Therefore, the President's fiscal year 2014 budget requests authorization for one round of Base Realignment and Closure (BRAC) in 2015. While the commission would meet in 2015, the actual closing of any bases would involve a multiyear process that would not begin until 2016.

BRAC is a comprehensive and fair tool that allows communities a role in reuse decisions for the property and provides redevelopment assistance. There are upfront costs for BRAC, and this FYDP adds \$2.4 billion to pay them, but in the long term, there are significant savings. The previous five rounds of BRAC are now saving a total of \$12 billion annually.

We are also taking other important steps to cut back on support costs. We will institute a study of our Military Treatment Facilities, including many hospitals and clinics that are currently underutilized. By the end of this year we will have a plan in place that suggests how to reduce that underutilization while still providing high-quality medical care. This restructuring, coupled with a BRAC round and other changes, would permit us to plan on a cut in our civilian workforce that will comply with congressional direction.

We are also continuing our successful efforts to hold down military health system costs. With the Department's proposed TRICARE benefit changes, our projected costs for fiscal year 2014 are about 4 percent lower than those costs in fiscal year 2012, a significant turnaround compared to health care trends over the past decade. We continue efforts to slow the growth of medical care costs through actions such as rephasing military construction, making full use of past changes in provider costs, and taking advantage of the slowing of growth in medical costs in the private sector.

Another important initiative is our effort to improve the Department's financial management and achieve auditable financial statements. We need auditable statements, both to improve the quality of our financial information and to reassure the public, and Congress, that we are good stewards of public funds. We have a focused plan and are making progress. Our next goal is audit-ready budget statements by the end of 2014. We are working hard to achieve this goal, though the current budget turmoil is hampering our efforts. I strongly support this initiative and will do everything I can to fulfill this commitment.

These and many other changes led to total savings of about \$34 billion in fiscal year 2014–2018, including \$5.5 billion in fiscal year 2014. However, we are concerned that these savings from more disciplined use of resources could be eroded by sequester, as we are forced to make inefficient choices that drive up costs. Today, for example, we are being forced to engage in shorter and less efficient contracts and sharp cuts in unit buy sizes that will increase the unit costs of weapons.

Restructuring and Terminations of Weapons Programs

The Department continues to streamline its acquisition programs and processes, and over the past 4 years we have realized significant cost savings as a result of reforms implemented by the Weapon Systems and Acquisition Reform Act of 2009 sponsored by Senators Levin and McCain. In this budget, the Department has shifted priorities within its modernization portfolios and achieved \$8.2 billion in savings from weapons program terminations and restructuring.

For example, by revising the acquisition strategy for the Army's Ground Combat Vehicle program, the Department will save over \$2 billion in development costs.

In other cases the Department used evolutionary approaches to develop new capabilities instead of relying on leap-ahead gains in technology.

For example, the Department:

- Realigned investment funding and restructured the SM-3 IIB interceptor—a high-risk, high-cost system—to improve the capabilities of existing missile defense systems, resulting in savings of about \$2.1 billion during the Future Year Defense Program (FYDP);
- Cancelled the Precision Tracking Space Satellite system—another high-risk project—saving \$1.9 billion during the FYDP; the Department invested a portion of these savings in technology upgrades to existing ground-based radars and sensors.

To lessen the potential impact on local communities from the reductions in defense procurement, the Department is requesting an additional \$36 million in support of the Defense Industry Adjustment program.

The Department is continuing to take steps to tighten the contract terms and reduce risk in our largest acquisition program, the F-35 Joint Strike Fighter. The fiscal year 2014 budget request includes \$8.4 billion for the Joint Strike Fighter.

Military Pay and Benefits

The costs of military pay and benefits are another significant driver of spending growth that must be addressed in the current fiscal environment. In this budget, the Department is submitting a new package of military compensation proposals that take into consideration congressional concerns associated with those from fiscal year 2013. These changes save about \$1.4 billion in fiscal year 2014 and a total of \$12.8 billion in fiscal year 2014–2018.

This package includes a modest slowing of the growth of military pay by implementing a 1 percent pay raise for servicemembers in 2014. The Department is also seeking additional changes to the TRICARE program in the fiscal year 2014 budget to bring the beneficiary's cost share closer to the levels envisioned when the program was implemented—particularly for working-age retirees. Today military retirees contribute less than 11 percent of their total health care costs, compared to an average of 27 percent when TRICARE was first fully implemented in 1996.

The proposed TRICARE changes include:

- For retirees, modest increases in TRICARE Prime enrollment fees, instituting an enrollment fee for TRICARE Standard/Extra, and increasing Standard/Extra deductibles;
- Implementation of an enrollment fee for new TRICARE-for-Life beneficiaries, while grandfathering in those already Medicare-eligible at enactment;
- Increases in pharmacy co-pays and, where appropriate, mandatory use of mail order delivery of pharmaceuticals; and
- Indexing of fees, deductibles, co-pays, and the catastrophic cap to the growth in annual retiree cost-of-living adjustment.

Survivors of military members who died on active duty or medically retired members would be excluded from all TRICARE increases. Even after the proposed changes in fees, TRICARE will remain a substantial benefit.

These adjustments to pay and benefits were among the most carefully considered and difficult choices in the budget. They were made with the strong support of the Joint Chiefs of Staff and Senior Enlisted Leadership, in recognition that in order to sustain these benefits over the long term without dramatically reducing the size or readiness of the force, these rising costs need to be brought under control.

2. Implementing and deepening our commitment to the President's defense strategic guidance

Spending reductions on the scale of the current drawdown cannot be implemented through improving efficiency and reducing overhead alone. Cuts and changes to capabilities—force structure and modernization programs—will also be required. The strategic guidance issued in January 2012 set the priorities and parameters that informed those choices, and the fiscal year 2014 budget submission further implements and deepens program alignment to this strategic guidance.

The new strategy calls for a smaller and leaner force. Last year we proposed reductions of about 100,000 in military end strength between fiscal year 2012 and fiscal year 2017. Most of those reductions occur in the ground forces and are consistent with a decision not to size U.S. ground forces to accomplish prolonged stability operations, while maintaining adequate capability should such activities again be required. By the end of fiscal year 2014 we will have completed almost two thirds of the drawdown of our ground forces, and the drawdown should be fully complete by fiscal year 2017.

Last year DOD submitted proposals for changes in Air Force and Navy force structure; some were rejected by Congress. We continue to believe, however, that these reductions are consistent with our defense strategy and the need to hold down costs. Therefore, DOD is resubmitting several proposals from its fiscal year 2013 budget submission that were not supported by Congress, including the retirement of seven Aegis cruisers and two amphibious ships at the beginning of fiscal year 2015. Despite the growing importance of the Asia-Pacific—a mostly maritime theater—the high costs of maintaining these older ships relative to their capabilities argues strongly for their retirement.

The fiscal year 2014 budget continues implementation of the Air Force total force proposal included in the National Defense Authorization Act for Fiscal Year 2013. In response to state and congressional concerns about proposed reductions to the Air National Guard that DOD made in the original fiscal year 2013 budget, the Depart-

ment added back 44 aircraft to the Guard, 30 aircraft to the Air Force Reserve, and is taking away 31 aircraft from the Active Air Force.

These shifts were forced primarily by political realities, not strategy or analysis. While this Active-Reserve compromise allows the Air Force to move forward with prior year retirements and transfers, and approved mission changes for many Reserve units, it does require the Department to retain excess aircraft capacity. The Department's position continues to be that retaining excess air capacity in the Reserve component is an unnecessary expenditure of government funds that detracts from more pressing military priorities outlined in the defense strategic guidance.

Increased emphasis on the Asia-Pacific and Middle East represents another key tenet of the new defense strategic guidance. This budget continues to put a premium on rapidly deployable, self-sustaining forces—such as submarines, long-range bombers, and carrier strike groups—that can project power over great distance and carry out a variety of missions.

As part of the rebalance to the Asia-Pacific, the Department is expanding the Marine Corps presence in the region, including rotational deployments of Marine units to Australia. We continue to develop Guam as a strategic hub where we maintain a rotational bomber presence among other capabilities. The Department will stage its most capable forces in the region, including an F-22 squadron at Kadena Air Force Base in Japan. The Navy has deployed a Littoral Combat Ship to Singapore and is increasing and more widely distributing port visits in the Western Pacific.

Additional enhancements and key capabilities supporting the Asia-Pacific rebalance in the fiscal year 2014 budget include:

- Protecting investments for new ship construction, enabling the Navy to procure eight new ships in fiscal year 2014—including two *Virginia*-class submarines (\$10.9 billion);
- Continuing investments to develop a new penetrating bomber (\$379 million);
- Investing in new maritime patrol aircraft (\$3.8 billion);
- Continuing investments to maintain and expand undersea dominance, including increasing the cruise missile capacity of the future *Virginia*-class subs and developing new unmanned undersea vehicles (\$223.9 million);
- Continuing to fund development of an unmanned carrier launched UAV (\$427 million);
- Adding electronic attack EA-18Gs to offset the loss of retired Marine Corps EA-6B (Prowler) squadrons (\$2.0 billion);
- Investing in a new suite of anti-surface warfare weapons (\$160 million);
- Increasing the number of attack submarines forward deployed to Guam to four (\$78 million);
- Funding airfield resiliency measures such as dispersal, rapid runway repair, and hardening in the Western Pacific (\$440 million);
- The Army is investing in upgraded missile defense capabilities in the region (\$40 million);
- Increasing funding for joint exercises in the PACOM region (\$14 million).

Another tenet of the strategy is to support efforts to build partner capacity through innovative mechanisms based on lessons learned over the past decade of war. To that end, the fiscal year 2014 request builds on our section 1206 program by including \$75 million in dedicated funding for the new Global Security Contingency Fund, a pooled resource between DOD and Department of State that supports common efforts to boost the security capacity of partners in regions like Africa. This represents the first time dedicated funds have been requested for this new authority.

This new strategy not only recognizes the changing character of the conflicts in which the United States must prevail, but also leverages new concepts of operation enabled by advances in space, cyberspace, special operations, global mobility, precision-strike, missile defense, and other capabilities. By making difficult trade-offs in lower priority areas, the fiscal year 2014 budget protects or increases key investments in these critical capabilities, including:

- Cyberspace operations, including the recruitment and retention of world-class cyber personnel (\$4.7 billion for fiscal year 2014, an increase of \$800 million over fiscal year 2013 enacted levels).
- Space operations—to maintain our superiority in space, the Air Force continues to modernize the GPS program and is investing in improved space surveillance capabilities and a new generation of communications satellites (\$10.1 billion).

- Airborne intelligence, surveillance, and reconnaissance (ISR)—the Department is investing in both sea-based and extended range, land-based ISR platforms (\$2.5 billion).
- Rapid Global Mobility—to maintain our ability to rapidly deliver and sustain our forces around the globe, the Air Force is upgrading its C-5, C-17, and C-130 transport aircraft—replacing the oldest aircraft and modernizing the fleet—and building the new KC-46 aerial refueling tanker (\$5.0 billion);
- Missile Defense—to protect against ballistic missile threats from Asia-Pacific and the Middle East, the Department is increasing its fleet of Ground Based Interceptors (GBI), continuing the conversion of Aegis ships to provide ballistic missile defense capability, and procuring additional Terminal High Altitude Area Defense (THAAD) interceptors and Patriot PAC-3 missiles (\$9.2 billion);
- Special Operations/counterterrorism—to ensure our Special Operations Forces maintain the highest levels of readiness and to expand the global Special Operations Force network (\$7.7 billion).

3. Seeking to sustain the readiness and quality of the All-Volunteer Force

The high-quality of our All-Volunteer Force continues to be the foundation of our military strength. This budget seeks to ensure that our troops receive the training and equipment they need for military readiness, and the world-class support programs they and their families have earned. However, as in other areas of the budget, the steep and abrupt cuts of sequester would harm these programs. The remainder of this discussion outlines the goals of the fiscal year 2014 budget, but they would be significantly impacted by the persistence of sequester-level cuts.

Readiness Investments

Even with flat and declining defense budgets, this budget seeks to press ahead with the transition from a counterinsurgency-focused force to a force ready and capable of operating across a full range of operations across the globe. The service budgets all fund initiatives that seek to return to full-spectrum training and preparation for missions beyond current operations in Afghanistan:

- The Army would prepare for a rotational presence in multiple regions and has begun training in “decisive action” scenarios and is transitioning to training in combined arms conventional warfare;
- The Marine Corps would return to a sea-going posture, its traditional role in between major conflicts;
- The Navy would invest in ship maintenance and measures to alleviate the stress on personnel from prolonged and extended deployments required by current operations;
- The Air Force would re-focus on high-end capabilities required to confront the advanced air forces and air defense systems of other nations.

The Department continues its work to understand and quantify readiness activities as we seek to maximize our preparedness for real-world missions. We do not yet know the costs of fixing the readiness of the force following the 6 months of sequester cuts to training in this fiscal year. Therefore these costs are not included in the fiscal year 2014 budget. However, the President’s budget includes balanced deficit reduction proposals that are more than sufficient to allow Congress to replace and repeal the sequester-related reductions required by the Budget Control Act.

Family Support Programs

The Department’s budget submission makes clear that people are central to everything we do. While sequester cuts would unfortunately counter many of these initiatives, especially for our civilian workforce, the initiatives remain important statements of the intent in this budget.

The Department continues to support key programs in fiscal year 2014 that support servicemembers and their families, spending \$8.5 billion on initiatives that include:

- Transition Assistance and Veteran’s Employment Assurance—the Department continues to support the Transition Assistance Program to ensure every servicemember receives training, education, and credentials needed to successfully transition to the civilian workforce.
- Family Readiness—the Department continues to ensure that family support is a high priority by redesigning and boosting family support in a number of ways.

The Department is also providing support to our people with a number of other important initiatives, including:

- Behavioral Health—the Department maintains funding for psychological health programs and expands those programs that are most effective, such as Embedded Behavioral Health, to provide improved access to care, improved continuity of care, and enhanced behavioral health provider communication.
- Suicide Prevention—the Department continues to implement recommendations from the Suicide Prevention Task Force and act on other findings from think tanks, the National Action Alliance's National Suicide Prevention Strategy, and DOD and Department of Veteran's Affairs Integrated Mental Health Strategy.

Another area of focus has been Sexual Assault Prevention and Response. The Department has implemented a number of initiatives to change the way it prevents and responds to the crime of sexual assault, along five lines of effort:

- Prevention—the military services have launched a wide range of enhanced training programs, which are now being taught in multiple professional military education and training courses, to include DOD-wide precommand and senior noncommissioned officer training courses.
- Investigation—Consistent with the National Defense Authorization Acts for Fiscal Year 2012 and Fiscal Year 2013, DOD has established new policies to retain investigative documentation for 50 years for unrestricted reports, and is developing policy for Special Victim Capability.
- Advocacy—DOD has implemented a Safe helpline to give victims 24/7 global access to crisis support staff, implemented an expedited transfer policy for victims requesting transfer to a new unit, and expanded emergency care and services to DOD civilians stationed abroad.
- Assessment—DOD has added sexual assault questions to DOD Command Climate Surveys and implemented policy to conduct assessments within 120 days for new commanders and annually thereafter, consistent with the National Defense Authorization Act for Fiscal Year 2013.
- Accountability—on April 8, I directed DOD's Acting General Counsel to propose to Congress changes to Article 60 of the Uniform Code of Military Justice (UCMJ) that would eliminate the ability of a convening authority to change findings in courts-martial, except for certain minor offenses. These changes would also require the convening authority to explain in writing any changes made to court-martial sentences, as well as any changes to findings involving minor offenses. These changes, if enacted, would help ensure that our military justice system works fairly, ensures due process, and is accountable.

I am currently reviewing other options and actions to strengthen the Department's prevention and response efforts, and will announce those decisions and actions soon. Consistent with the 2013 National Defense Authorization Act, I will soon be naming individuals to sit on independent panels to review and assess the systems used to investigate, prosecute, and adjudicate crimes involving sexual assault, and judicial proceedings of sexual assault cases. I will closely review their recommendations when complete.

4. Supporting troops deployed and fighting overseas

As I said earlier, this budget request includes a placeholder request for OCO funding at the fiscal year 2013 level (\$88.5 billion)—we expect to submit an OCO budget amendment with a revised level and account-level detail later this spring. I would note that OCO funding is essential in fiscal year 2014 to support troops deployed and fighting in, and coming home from, Afghanistan, and the cost of transporting and resetting equipment returning from theater. OCO costs should decrease as our military presence in Afghanistan decreases, but even after the conclusion of combat operations we will face war-related costs that must be addressed.

THE WAY AHEAD: STRATEGIC CHOICES AND MANAGEMENT REVIEW

The fiscal year 2014 budget is a reflection of DOD's best efforts to match ends, ways, and means during a period of intense fiscal uncertainty. It is a balanced plan that would address some of the Department's structural costs and internal budget imbalances while implementing the President's defense strategic guidance and keeping faith with our men and women in uniform and their families.

It is obvious that significant changes to the Department's top-line spending would require changes to this budget plan. The Department must plan for any additional reductions to the defense budget that might result from Congress and the administration agreeing on a deficit reduction plan, and it must be prepared in the event that sequester-level cuts persist for another year or over the long term.

Consequently, I directed a Strategic Choices and Management Review in order to assess the potential impact of further reductions up to the level of full sequester. The purpose of this Strategic Choices and Management Review is to reassess the basic assumptions that drive the Department's investment and force structure decisions.

The review will identify the strategic choices and further institutional reforms that may be required—including those reforms which should be pursued regardless of fiscal pressures. It is designed to help understand the challenges, articulate the risks, and look for opportunities for reform and efficiencies presented by resource constraints. Everything will be on the table during this review—roles and missions, planning, business practices, force structure, personnel and compensation, acquisition and modernization investments, how we operate, and how we measure and maintain readiness.

This review is being conducted by Deputy Secretary Carter working with General Dempsey. The Service Secretaries and Service Chiefs, Office of the Secretary of Defense Principals, and combatant commanders will serve as essential participants. Our aim is to conclude this review by May 31, 2013. The results will inform our fiscal year 2015 budget request and will be the foundation for the Quadrennial Defense Review due to Congress in February 2014.

It is already clear to me that achieving significant additional budget savings without unacceptable risk to national security will require not just tweaking or chipping away at existing structures and practices but, if necessary, fashioning entirely new ones that better reflect 21st century realities. That will require the partnership of Congress.

The fiscal year 2014 budget and the ones before it have made hard choices. In many cases, modest reforms to personnel and benefits, along with efforts to reduce infrastructure and restructure acquisition programs, met fierce political resistance and were not implemented.

We are now in a different fiscal environment dealing with new realities that will force us to more fully confront these tough and painful choices, and to make the reforms we need to put this Department on a path to sustain our military strength for the 21st century. But in order to do that we will need flexibility, time, and some budget certainty.

We will also need to fund the military capabilities that are necessary for the complex security threats of the 21st century. I believe the President's budget does that. With the partnership of Congress, the Defense Department can continue to find new ways to operate more affordably, efficiently, and effectively. However, multiple reviews and analyses show that additional major cuts—especially those on the scale and timeline of sequestration—would require dramatic reductions in core military capabilities or the scope of our activities around the world.

As the executive and legislative branches of government, we have a shared responsibility to ensure that we protect national security and America's strategic interests. Doing so requires that we make every decision on the basis of enduring national interests and make sure every policy is worthy of the service and sacrifice of our servicemembers and their families.

Chairman LEVIN. Thank you very much, Secretary Hagel. Your full statement will, of course, be made part of the record.

General Dempsey.

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

General DEMPSEY. Thank you, Chairman Levin, Ranking Member Inhofe.

I would like to add my thoughts and prayers, as the Secretary mentioned, to those affected by the terror attack in Boston and also tell you how proud we are of our guardsmen who were among the first responders. Of course, we will stand ready, all of us, to provide whatever support they need as this issue evolves.

I welcome this opportunity to update you on the U.S. Armed Forces and to comment on the budget proposal for fiscal year 2014.

This hearing comes at a time of extraordinary uncertainty. As resources are declining, the risks to our national security are rising.

It is in this context that I offer my perspective on how we can work together to sustain a balanced and a peerless joint force.

One thing you should be certain of is that our men and women are steadfast in their courage and in their devotion to duty. I saw it recently in their eyes as I had the honor of reenlisting some of them at Bagram Airfield. In Afghanistan, our forces are simultaneously fighting, transitioning, and redeploying. The Afghan military, as the Secretary said, will soon take operational lead for security across the country. As they gain confidence, so too do the Afghan people.

The coalition will remain in support as we transition to a sustainable presence beyond 2014, and at every point along the way we must make sure that our force levels match the mission that we ask of our men and women in uniform.

Our joint force has been vigilant elsewhere as well. We are deterring aggression and assuring our allies in the face of provocation by North Korea and by Iran. We are working with our interagency partners to defend against cyber attack. We are acting directly and with partners to defeat al Qaeda. We are rebalancing to the Asia-Pacific region and adapting our force posture to a new normal of combustible violence in North Africa and the Middle East. As we will discuss more later today, we are also working with others to keep Syria's complex conflict from destabilizing the region. We are prepared with options if military force is called for and if it can be used effectively to secure our interests without making the situation worse.

We must also be ready with options for an uncertain and dangerous future, and this budget was purpose-built to keep our Nation immune from coercion. It aims to restore versatility to a more affordable joint force in support of our defense strategy.

But let me also be clear about what this budget does not do. This budget does not reflect the full sequestration amount. It does impose less reduction and give us more time.

However, uncertainty does persist about what the top line will be for this or for any other budget. Nor does this budget include funds to restore lost readiness. We do not yet know the full impact or the cost to recover from the readiness shortfalls we are experiencing this year.

As expected, we have already curtailed or canceled training for many units across all forces, those not preparing to deploy. We all know it is more expensive to get ready than it is to stay ready. Recovery costs, therefore, will compete with the costs of us building the joint force towards 2020.

This budget does, however, invest in our priorities. It keeps the force in balance. It supports our forward-deployed operations. It upholds funding for emerging capabilities, notably cyber. It funds those conventional and nuclear capabilities that have proven so essential to our defense. It also lowers manpower costs, reduces excess infrastructure, and makes health care more sustainable. Most importantly, it protects our investment in our real decisive edge, which is our people. It treats being the best-led, the best-trained, and the best-equipped military as non-negotiable and as an imperative.

Never has our Nation sustained such a lengthy war solely through the service of an All-Volunteer Force. We must honor our commitments to them and to their families. For many veterans, returning home is a new front line in the struggle with wounds seen and unseen. We must continue to invest in world-class treatment for mental health issues, traumatic brain injury, and combat stress. We also have a shared responsibility to address the urgent issue of suicide with the same devotion we have shown to protecting the lives of those in combat.

The risks inherent to military service must never include the risk of sexual assault. Sexual assault betrays the trust on which our profession is founded. We will pursue every option to drive this crime from our ranks.

This is a defining moment for our military. Our warriors' will to win is undaunted, but the means to prepare to win are becoming uncertain. We, therefore, have an opportunity and an obligation with this and any future budget to restore confidence. We have it within us to stay strong as a global leader and as a reliable partner. The joint force is looking to us to lead through this period of historic fiscal correction, but we cannot do it alone.

As I have said before, we need budget certainty, we need time, and we need flexibility. That means a predictable funding stream. It means the time to deliberately evaluate tradeoffs in force structure, modernization, compensation, and readiness. It means the full flexibility to keep the force in balance.

Thank you for all you have done to support our men and women in uniform. I only ask that you continue to support a responsible investment in our Nation's defense.

I look forward to your questions.

[The prepared statement of General Dempsey follows:]

PREPARED STATEMENT BY GEN. MARTIN E. DEMPSEY, USA

I. INTRODUCTION

Chairman, Ranking Member, and distinguished committee members, it is my privilege to update you on the state of the U.S. Armed Forces and to comment on the President's budget proposal for fiscal year 2014.

This year's posture testimony comes in the context of extraordinary uncertainty. Our Nation is going through an historic fiscal correction to restore the economic foundation of our power. As resources decline, risks to our national security interests rise. A more competitive security environment compounds these risks, increasing the probability and consequences of aggression.

This context calls out for our leadership. We can and must find it within ourselves to stay strong as a global leader and reliable partner. We must restore lost readiness and continue to make responsible investments in our Nation's defense.

II. STRATEGIC DIRECTION TO THE JOINT FORCE

A year ago, I established four priorities to help guide our Joint Force through this period of uncertainty. Our way forward must be rooted in a renewed commitment to the Profession of Arms. This means preserving an uncommon profession that is without equal in both its competence and its character. Along the way, we must keep faith with our military family. This means honoring the commitments we have made to our servicemembers and their families. They deserve the future they sacrificed so much to secure.

These two priorities serve as a source of strength for the Joint Force as it achieves our national objectives in current conflicts. This means achieving our campaign objectives in Afghanistan while confronting aggression toward America and its allies in all its forms wherever and whenever it arises. It also means helping to secure

the flow of commerce in the global commons, building the capacity of our partners, providing humanitarian assistance, and maintaining a credible nuclear deterrent.

These three priorities enable us to understand and develop the Joint Force of 2020. Our ability to build the force we will need tomorrow depends on the decisions we make today. This is a defining moment in a defining year. Ensuring our future military is unrivaled and sustainable requires the right mix between current capacity and new capabilities. We must recapitalize current equipment where possible and modernize capabilities that preserve our decisive advantages.

III. JOINT FORCE OPERATIONS

One thing has been certain over the last year—the Joint Force stood strong and responded to the Nation’s call. After more than a decade of continual deployments and tough fighting, I remain humbled by the resilience and determination of our warriors.

In the past year, our service men and women have simultaneously fought, transitioned, and redeployed from Afghanistan. Never before have we retrograded so much combat power and equipment while continuing combat operations. Our forces performed superbly, transitioning to Afghan security lead in areas comprising over 85 percent of the population. In the process, we redeployed over 30,000 U.S. troops, closed over 600 bases, and preserved coalition cohesion. We were challenged by “insider attacks,” but responded the way professional militaries do. We assessed and adapted. We reaffirmed our partnerships and moved forward jointly with more stringent force protection and vetting procedures.

Transition continues. In the weeks ahead, the Afghanistan National Security Forces will assume operational lead across all of Afghanistan. This milestone represents an important achievement on the Lisbon roadmap, reaffirmed at the Chicago Summit in 2012. At the same time, the International Security Assistance Force will transition primarily to training and advising. We are also working with the North Atlantic Treaty Organization and the Afghan Government on options for an enduring presence beyond 2014 to reinforce Afghan security and maintain pressure on transnational terrorists.

When I testified last year, the effects of the November 2011 border incident with Pakistan were still fresh, and tensions were as high as any time since the Osama bin Laden raid. Measured, but steady civilian-military engagement with Pakistani leadership led to the reopening of the Ground Lines of Communication in July 2012. We are gradually rebuilding our relationship with Pakistan as reflected in the recent signing of a tripartite border document to standardize complementary cross-border operations.

The Joint Force has been vigilant well beyond South Asia and around the world. We continue to help deter aggression and counter the increasingly bold provocations from North Korea and Iran. We are supporting Syria’s neighbors in their efforts to contain spillover violence while providing assistance to help with refugees. We are postured to support additional options for dealing with any threats to our national interests that may emerge from the Syrian conflict.

Along with our interagency partners, we are also postured to detect, deter, and defeat cyber-attacks against government and critical infrastructure targets. We are part of interagency and multinational efforts to counter transnational crime. We remain relentless in our pursuit of al Qaeda and other violent extremist organizations, directly and through our partners. This includes al Qaeda in the Arabian Peninsula in Yemen and, working with French and African partners, al Qaeda in the Islamic Magreb.

Finally, in the context of a “new normal”—where the diffusion of power fuels insecurity and unrest—we continue to support reform across the Middle East and North Africa through military-to-military exercises, exchanges, and security assistance. We are also adjusting global force posture to reflect these risks in the context of our rebalance to the Asia-Pacific region.

IV. OUR JOINT FORCE TODAY

We have an experienced, combat-tested force. Never has our Nation sustained such a lengthy period of war solely through the service of an All-Volunteer military. Our warriors’ will to win is undaunted, but the means to prepare to win are becoming uncertain. Military readiness is at risk due to the convergence of several budget factors. These same factors compound risk to the wellness of the Joint Force and our military family. We need the help of our elected leaders to gain budget certainty, time, and flexibility.

Few have borne more of war’s burden than our military family. For 12 relentless years, our service men and women have answered our Nation’s call with unsur-

passed courage and skill. Many have fallen or been grievously wounded in the service of our country. We honor them most by caring for their families and for those who have come home with wounds seen and unseen.

We are unfailing in our praise for the sacrifices of our warriors in battle. But for so many of our veterans, returning home is a new type of frontline in their struggle. We cannot cut corners on their healthcare. We must continue to invest in world-class treatments for mental health issues, traumatic brain injury, and combat stress. Stigma and barriers to seeking mental health services must be reduced.

Suicide is a tragic consequence for far too many. As a Nation, we have a shared responsibility to address this urgent issue with the same devotion we have shown to protecting the lives of our forces while in combat. The Department is working closely with our interagency partners and the White House to increase our understanding of the factors leading to suicide and how to best leverage care networks to keep our veterans alive.

The risks inherent to military service must not include the risk of sexual assault. We cannot shrink from our obligations to treat each other with dignity. We cannot allow sexual assault to undermine the cohesion, discipline, and respect that gives us strength. Therefore, we are examining the best ways to leverage additional education, training, and the Uniform Code of Military Justice. We are exploring every option, and we are open to every idea, that could help eliminate this crime from our ranks.

Future success relies on opening our ranks to all of America's talent. Accordingly, the Joint Chiefs and I have supported the expansion of service opportunities for women. This decision better aligns our policies with our experience in war, and it serves to strengthen the Joint Force. Consistent with the law, we also extended some benefits to the same-sex domestic partners of servicemembers. We are implementing both initiatives deliberately across all Services to ensure we uphold essential standards and avoid creating new inequities for other members of the Joint Force.

Keeping faith with our military family will take a mutual commitment from fellow veterans and a grateful Nation. The next few years will define how we, as a Nation, view the September 11 generation of veterans. America's future All-Volunteer Force is watching.

They are also watching as we inflict risk on ourselves. With \$487 billion in planned reductions already reflected in the Department's fiscal year 2013 budget, sequestration's additional cuts jeopardize readiness not only this year, but also for many years to come. We cannot fail to resource the war we are still fighting. At the same time, we cannot compromise on readiness in the face of an uncertain and dangerous future. Our Joint Force must begin to reconnect with family while resetting and refitting war-torn equipment. It must retrain on the full-spectrum skills that have atrophied while developing new skills required for emerging threats. There are no shortcuts to a strong national defense.

When budget uncertainty is combined with the mechanism and magnitude of sequestration, the consequences could lead to a security gap—vulnerability against future threats to our national security interests. Our military power could become less credible because it is less sustainable. We could break commitments to our partners and allies, our defense industrial base, and our men and women in uniform and their families.

This outcome is not inevitable. We can maintain the readiness and health of the force at an affordable cost. But, we need help from our elected leaders to keep the force in balance and avert the strategic errors of past drawdowns. To this end, the Joint Chiefs and I have requested your support for certainty, time, and flexibility.

Most importantly, we need long-term budget certainty—a steady, predictable funding stream. While the passage of the fiscal year 2013 Appropriations Act provided relief from the Continuing Resolution, uncertainty over the fiscal year 2014 topline budget and the full effects of fiscal year 2013 sequestration remains.

Second, we need the time to deliberately evaluate trade-offs in force structure, modernization, compensation, and readiness. Finally, we need the full flexibility to keep the force in balance. Budget reductions of this magnitude require more than just transfer authority and follow-on reprogramming authority. Everything must be on the table—military and civilian force reductions; basing and facilities; pay and compensation; and the mix among Active, Reserve, and National Guard units.

The fiscal year 2014 budget proposal helps us rebalance and strengthen readiness through hard choices. It enables us to lower manpower costs, reduce unneeded infrastructure, and shed ineffective acquisition programs while maintaining support for the responsible drawdown of our military presence in Afghanistan. It provides a 2014 military pay raise of 1 percent while protecting important education, counseling, and wounded warrior programs. Proposed infrastructure reductions include

a request for BRAC authorization in fiscal year 2015, although any closures would take multiple years and not begin until 2016. We simply cannot afford to keep infrastructure and weapons we do not need without getting the reforms we do need.

V. A JOINT FORCE FOR 2020

The budget decisions we are making now will indicate whether we view our future Joint Force as an investment or an expense.

America is unmatched in its ability to employ power in defense of national interests, but we have little margin for error. We are able to deter threats, assure partners, and defeat adversaries because we act from a position of strength.

We are strong—and our Nation is secure—because we treat being the best led, trained, and equipped force as a non-negotiable imperative. The secret to sustaining our strength with this or any future budget is simple—preserve investment in readiness, prioritize investment in people, and protect investment in decisive capabilities.

It is our people that make us the most capable military in the world. They are our best hedge against threats to our homeland and interests abroad. By 2020, we will require even greater technical talent in our ranks. But, developing technological skill must occur in concert with leader and character development. We must resist the temptation to scale back on education, including languages and cultural knowledge. Military service must continue to be our Nation's preeminent leadership experience. It is more important than ever to get the most from the potential and performance of every servicemember.

Investing in people is not just about their development and readiness. It is also about the commitment we make to their families. Unsustainable costs and smaller budgets mean we must examine every warrior and family support program to make sure we are getting the best return on our investment.

We need to reform pay and compensation to reduce costs while making sure we recruit and retain the best America has to offer. We must also balance our commitment to provide quality, accessible health care with better management and essential reform to get escalating costs under control. The fiscal year 2014 budget would help control rising health care costs by initiating a restructuring of medical facilities to make them more efficient, without sacrificing quality or continuity of care, and by proposing fee adjustments that exempt disabled retirees, survivors of servicemembers who died on active duty, and their family members. The Department of Defense is also working with Veterans Affairs to find efficiencies across health care systems.

As we work to get the people right, we must also sustain our investment in decisive capabilities. The fiscal year 2014 budget continues to fund long-term capabilities that sustain our edge against resourceful and innovative enemies, while maintaining critical investments in science and technology, and research and development programs.

Emerging capabilities, once on the margins, must move to the forefront and be fully integrated with our general purpose forces. Special Operations Forces, for example, have played an increasingly consequential role over the past 10 years. We have expanded their ranks considerably during this timeframe, and now we must continue to improve the quality of their personnel and capabilities.

Closely linked are our intelligence, surveillance, and reconnaissance capabilities—from sensors to analysts. We will continue to rely on proven systems designed for the low threat environments of Iraq and Afghanistan. At the same time, we must also develop and field sensors designed to penetrate and survive in high-threat areas. They will expand our ability to access and assess hard-to-reach targets.

This budget also sustains our investment in cyber, in part by expanding the cyber forces led by the U.S. Cyber Command. Despite significant investment and progress in the past year, the threat continues to outpace us, placing the Nation at risk. The fiscal year 2014 budget increases funding for cyber security information sharing, but we need legislation to allow the private sector and U.S. interagency to share real-time cyber threat information—within a framework of privacy and civil liberty safeguards. In parallel, we must establish and adopt standards for protecting critical infrastructure.

The development and integration of these emerging capabilities will by no means amount to all that is new in Joint Force 2020. They must be integrated with our foundational and impressive conventional force capabilities. The fiscal year 2014 budget protects several areas where reinvestment in existing systems—such as the C-130, F-16, and the Army's Stryker combat vehicle—sustains our competitive advantage. All are backed by our asymmetric advantages in long-range strike, global mobility, logistics, space, and undersea warfare. They must be connected with a secure, mobile, and collaborative command and control network.

This combination of increasingly powerful network capabilities and agile units at the tactical edge is a powerful complement to leadership at every echelon. It provides the basis to project both discrete and overwhelming power across multiple domains. It gives policymakers and commanders alike a greater degree of flexibility in how they pursue objectives.

As we set priorities and implement reductions, we need to pay attention to the important relationship among defense, development, and diplomacy. Fewer defense dollars means we must rely more on—and invest more in—our other instruments of power to help underwrite global security. Our international partners will have to work with us on accepting a greater share of the risk. Some are more ready and willing to do that than others.

VI. CONCLUSION

Although I am confident the Joint Force today can marshal resources for any specific contingency, our goal is to be able to offer military options that put U.S. national security on a sustainable path to 2020 and beyond. To do this, we must recruit and retain the most talented people. We must invest in their competence and character so they can leverage emerging and existing capabilities in our defense. It is an investment our predecessors made in decades past. We must do the same.

Our consistent first line of defense has been and always will be our people. They are our greatest strength. We will rely on our war-tested leaders to think and innovate as we navigate the challenges and opportunities that lie ahead. We need to seize the moment to think differently and to be different. But, we cannot do it alone. We need the help of our elected officials to give us the certainty, time, and flexibility to make change.

We can and must stay strong in the face of declining budgets and rising risk. We must have the courage to make the difficult choices about our investments, about our people, and about our way of war. The Secretary's Strategic Choices and Management Review will help us identify options and opportunities.

We have been down this road before. We can lead through this uncertainty and manage the transition to a more secure and prosperous future. I know your Nation's military leaders are ready—as is every single soldier, sailor, airman, marine, and coastguardsman—to give their last breath to defend America and her allies.

Please accept my thanks to this committee and Congress for all you have done to support our men and women in uniform. Together, we serve our Nation.

Chairman LEVIN. General, thank you so much.

We are going to have a 7-minute first round, and that may likely be the only round here, given the large number of Senators that are here today.

Let me start first with you, General Dempsey. Do you personally support the request for the DOD budget for fiscal year 2014?

General DEMPSEY. I do.

Chairman LEVIN. Do you know whether the Chiefs share in your view?

General DEMPSEY. They do.

Chairman LEVIN. We heard yesterday, General, quite an optimistic assessment of the security situation in Afghanistan, more optimistic than in previous years, and we heard that from our commander there, General Dunford. I am wondering whether you share the generally optimistic assessment that we heard.

General DEMPSEY. Yes. I was with General Dunford and his subordinate commanders about 2 weeks ago. I will say that my impression after visiting some of the operational coordination centers, where for the first time I have seen the Afghan Government actually applying some of their instruments and some governance and economic factors into security, does lead me to be more optimistic than I have been in the past where I felt like we have been doing a good job but not necessarily that they have been shouldering as much of the burden as I think they need to shoulder.

Chairman LEVIN. Have you reached a conclusion as to the troop level which you are going to recommend to the President for the post-2014 period?

General DEMPSEY. No, we have not, Senator. I have said at a previous hearing that the target that the North Atlantic Treaty Organization (NATO) has established for the range, let us call it, that NATO has established, 8,000 to 12,000, seems to me to be a reasonable target. But we have not selected a specific number.

Chairman LEVIN. Is that a target for U.S. Forces?

General DEMPSEY. No. That would be the International Security Assistance Force and it would be that part of the mission related to training, advising, and assisting.

Chairman LEVIN. So the President has not made a decision yet on that either then. Is that correct?

General DEMPSEY. That is correct.

Chairman LEVIN. In terms of the reduction between now and 2014, the President announced plans to draw down 34,000 of the 66,000 troops in Afghanistan by February 2014. Is it true that the pace of that drawdown will affect the OCO funds that are needed and when they are needed?

General DEMPSEY. I am sure it will, and that is the reason, I think, Mr. Hale would agree that the OCO budget has not been submitted yet. What we have done is given the commander in the field the flexibility to plan that reduction which, by the way, I think is very important to allow him to plan the pace and manage the equilibrium between fighting, transitioning, and redeploying. But I think that is why the OCO budget is delayed.

Chairman LEVIN. If the commander has that flexibility, then as soon as we presumably learn from the commander how they are going to exercise that flexibility, then we are going to determine the OCO?

General DEMPSEY. That would be my understanding of the sequence.

Chairman LEVIN. For the record, Secretary Hale—not now because of my time limit—would you tell us how the pace, as it is determined by the commander, if the commander has that flexibility, will affect the OCO needs, for the record?

[The information referred to follows:]



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

MAY -2 PM 1:51

MAY 01 2013

The Honorable Carl Levin
Chairman
Committee on Armed Services
United States Senate
Washington, DC 20510

Dear Chairman Levin:

Thank you for the opportunity to testify before the Senate Committee on Armed Services regarding the President's Fiscal Year 2014 budget request for the Department of Defense. The Department faces many national security challenges around the world and must address those challenges at a time of profound budget uncertainty. As I stated at the hearing, Congress and the Department of Defense must work together to find solutions to these problems, and I look forward to working with the Committee to that end.

During the hearing you asked me questions about how the pace of the Afghanistan drawdown might affect the Overseas Contingency Operations budget. I expect the drawdown, as announced by the President, will eventually lead to much lower OCO budgets. However, especially during FY14, the reduction associated with fewer troops will be substantially offset by other factors. Additional information on this issue is attached.

You also asked about the Department's request for an additional BRAC round and more details on BRAC savings as well as any differences the Department may have with the GAO report on BRAC. Details of BRAC savings and the Department's views on the GAO report are included on the attached sheet.

Again, I look forward to working closely with you as the Committee considers the FY14 National Defense Authorization bill. Thank you for your continued support of our men and women in uniform and our entire civilian workforce.

Sincerely,

A handwritten signature in black ink, appearing to read "Ashton Carter", with a horizontal line underneath.

Attachment:
As stated.

OCO budget

Question: How is the pace of the Afghanistan drawdown affecting the Overseas Contingency Operations (OCO) budget?

Answer: I expect the drawdown, as announced by the President, will eventually lead to much lower OCO budgets. However, especially during FY 2014, the reduction associated with fewer troops will be substantially offset by other factors such as:

- Costs to prepare facilities for closure
- Costs to bring equipment home (retrograde costs)
- Costs for contractor personnel, which tend to lag reductions in troop costs because contractors are heavily involved in closure activities
- Costs to fix or replace equipment (reset costs), which will remain high for several years after most combat activities end

We anticipate the Administration submitting the Department's FY 2014 OCO submission to Congress in May, which will contain greater cost estimating detail. We will be available to discuss particular aspects once the work is complete.

BRAC Costs & Savings

Question: What are the cost and savings from each round of BRAC; in reference to the \$12B in annual savings that is repeatedly cited?

Answer: The five previous BRAC rounds are saving a total of \$12B annually; the cost and savings by round are as follows:

	Costs (\$B)	Annual Recurring Savings ³ (\$B)
BRAC 88	2.7 ¹	1.0
BRAC 91	5.2 ¹	2.3
BRAC 93	7.5 ¹	2.7
BRAC 95	6.6 ¹	1.9
BRAC 05	35.1 ²	4.0
Total	57.1	12.0⁴

Note 1: Then Year dollars through FY2001

Note 2: Then Year dollars through FY2011

Note 3: Annual recurring savings (ARS) begin in the year following each round's 6-year implementation period

Note 4: Does not add due to rounding.

The savings estimate is in FY08 constant dollars, if inflated to FY14 constant dollars it would total \$13.2B. These numbers are reflected in our annual budget documents provided to Congress, including our most recent FY14 submission. The savings are comprised of personnel eliminations, reduced base operating costs, facilities sustainment, and other cost avoidances.

Annual recurring savings are developed by DUSD(I&E) Basing Office utilizing data from the FY 2014 President's Budget justification material dated April 2013.

GAO Report on BRAC

Question: What differences do you have with the recent GAO report regarding BRAC 2005?

Answer: The recently published GAO report on BRAC 2005 indicated that 1) savings goals should drive the BRAC process rather than military value, and 2) the difference between the actual and projected costs are a fault of modeling rather than the imposition of subsequent requirements.

I am concerned with the report's emphasis on establishing goals, measurements of effectiveness, and capacity reduction targets. The premise that we should be required to close a particular number of bases or eliminate a particular number of civilian jobs is arbitrary, counterproductive, and would undermine military capability. While the overall rationale for BRAC is driven by the presence of excess infrastructure and the need to optimize the allocation of infrastructure to support military forces, individual recommendations should be based primarily on optimizing military value. Goals or targets would subvert that process.

The implication of the report is that the mismatch between the actual cost and initial estimates reflects flaws in the cost estimating model rather than the impact of subsequent decisions. While any process could benefit from improvement, the GAO has indicated in previous reports that the drivers of this increased cost were dominated by new military construction requirements within a small subset of the recommendations. That recent (2012) GAO report found that most of the cost increase could be tied to only 14 of 182 recommendations. These increases are attributable to new requirements imposed after the initial estimates (e.g. requiring all medical facilities to meet "world class" standards), and are specific rather than systemic.

Mr. HALE. We are making assumptions, though, because we have to go ahead.

Chairman LEVIN. All right.

We, in this budget, Mr. Secretary, have certain amounts that are going to be utilized for our missile defense. There has been an announcement—I believe that you were the one who made it—that we are going to deploy 14 additional ground-based interceptors (GBI) in Alaska. We have made a decision relative to the final phase of the Phased Adaptive Approach (PAA), which has been adopted for NATO. I am wondering, let me ask you, General, do you personally support the missile defense approach that has been decided upon by the administration?

General DEMPSEY. I do. It is in response to what we perceive to be an increasing threat, in particular from North Korea.

Chairman LEVIN. That includes both parts of the missile defense approach that I have just identified. One is the modification to the PAA in Europe but also the additional GBIs in Alaska. Both pieces? Do you approve of both parts?

General DEMPSEY. I do.

Chairman LEVIN. On the BRAC issue, as I understand your testimony and your budget, Mr. Secretary, there is a short-term cost if

there were an additional BRAC approved, but that cost is not in the 2014 budget request. You put it in the 2015 budget request. Is that correct?

Mr. HALE. The money is actually in 2016 through 2018. It is \$2.4 billion of additional funds.

Chairman LEVIN. Okay, but the additional upfront funding, the cost of the BRAC is not provided for in the 2014 budget request. You made a provision or you say you are going to make a provision in 2015. Is that correct?

Mr. HALE. 2016, 2017, and 2018.

Secretary HAGEL. We are not requesting it until 2015. So we put the money in the out-years.

Chairman LEVIN. So there is no money impact for this year.

Now, when we met at the Pentagon a few days ago, and there were a number of us that were there, we discussed the point that you made about alleged savings from the last BRAC round. You today indicated that previous rounds or perhaps the previous round, you testified, saved \$12 billion annually. Was that the savings that you say exists, created from the last round or from all of the previous rounds?

Secretary HAGEL. From all the rounds.

Chairman LEVIN. All the rounds.

Secretary HAGEL. If you would like more detail, maybe Mr. Hale could break that out. But it would be for all the rounds.

Chairman LEVIN. Can you give us that for the record? I think that is the detail that we would need for the record, round by round.

[The information referred to follows:]

Please refer to my letter to you, signed on May 1, 2013. [Inserted previously]

Chairman LEVIN. I think that is my time. So we will call on Senator Inhofe.

Senator INHOFE. Thank you, Mr. Chairman.

Since you are on the subject of BRAC, I think you might remember, Secretary Hagel, that you were in the Senate at the time in 2005. You might remember that I led the opposition to that BRAC round unsuccessfully, I might say. The irony of that was that my senior Senator Don Nickles was on the other side, and we lost by two votes. So it is contentious.

Secretary HAGEL. You are not going to hold that against me, are you?

Senator INHOFE. No. I do not even remember how you voted on that, but I will not get into that.

Secretary HAGEL. I support BRAC.

Senator INHOFE. Okay.

Yes, I came in with the first BRAC round of the five BRAC rounds. I supported some of them in the past. I opposed the one in 2005 for two reasons. One is that it was bringing down our infrastructure to an artificially low size to meet what I thought was an unacceptable force size. Now, that was just one reason at that time. I think that reason is good today.

But the other reason is what the chairman touched on here, and that is that there is a cost to BRAC. It is in two different areas. One is in the initial cost and the other is the recurring cost.

Now, the Government Accountability Office (GAO) released a report last year. That is 7 years after the 2005 BRAC round, noting that the one-time implementation cost of 2005 grew from \$21 billion to \$35 billion, an increase of \$14 billion, or 67 percent.

As a result of the 20-year value—now we will get into the recurring costs—DOD expected to achieve from the 2005 round, it decreased by 72 percent. In addition, GAO determined that 75 out of the 182 recommendations, about 41 percent, are now expected to result in a negative 20-year value. That means they will cost more to implement than any projected savings over a 20-year period. Now, that is pretty bad. I have seen this.

I know there are different ways of projecting figures. Those are the figures, and this came from GAO just last year, 7 years after this. So keep that in mind, recognizing, as you pointed out, you may not feel this until 2015. I have no reason to believe we are going to be in a lot better shape in 2015 than we are today.

Have you considered that in your support of this BRAC round?

Secretary HAGEL. I have not seen the actual figures or the study you referred to, Senator. I do not know if it was the same GAO report or another one that noted on that 2005 BRAC round, it clearly reflected—I think the number was almost a 25 percent over-capacity in infrastructure at the time in our facilities.

Now, I am going to ask Mr. Hale to respond here very quickly.

But to answer your question, we have looked at all the factors, upfront costs, continuing costs, do we need it.

Senator INHOFE. Yes. We do not need to hear from Mr. Hale now.

I know you have read the report I referred to, and I would ask that you share that with Secretary Hagel, which I am sure he will want to look at. I would only ask that you consider that because I think those reasons for my opposition 7 years ago—8 years ago now, are probably more true today.

When the chairman talked about the missile defense thing, I was very pleased when you made the decision to increase, back up to 44, the number of GBI sites on the west coast. I think that was good.

Where I do not agree, as has been pointed out, that is probably a good thing to do in light of all the things that are happening in North Korea. I was over there recently. In fact, I talked to you from over there, and I realize that this is something that we need to protect against.

I am satisfied. I may not be in the majority up here, but I am satisfied that anything coming from North Korea or coming from that way we have the capability to shoot, look, and shoot. I feel comfortable we could knock down anything coming.

Where I probably disagree, General Dempsey, with you is on our capacity to knock one down coming from the other side, from the east. That is the reason, of course, that we were initially building the GBI in Poland.

Now we are talking about a third site, and I could quote several generals here. General Jacoby, for example, had said we are not in the most optimum posture to defend against an Iranian threat, in spite of the fact that our intelligence has told us since 2007 that Iran is going to have the capability of a weapon and a delivery system by 2015.

Secretary Hagel, do you disagree with my concern over the threat that would come from the east as opposed to the west?

Secretary HAGEL. No, I do not disagree. It is something that DOD and all those responsible for our missile defense capabilities and our strategies and the tactics to match those and the weapons to match those strategies are concerned with as well. So it is a very real issue. It is one that we are dealing with. We are going to have to continue to deal with it. So it is like all of these issues. How do you deal with it? What should we be doing? What are we doing?

Senator INHOFE. One way to deal with it is on the third site everyone is talking about. I do not know whether you have taken a position on that or not. But if you have, would you let us know what that is?

Secretary HAGEL. We were instructed through the National Defense Authorization Act (NDAA) to conduct environmental impact statements (EIS) looking at the possibility of putting a site on the east coast. That investigation, that study, is underway. We should have it complete by the end of this year. We will obviously share that with Congress.

Senator INHOFE. Okay.

The last question I would have, Mr. Secretary, is having to do with the New Strategic Arms Reduction Treaty (START), a commitment that was made by the President in order to get the votes necessary for that. Those commitments have not been met. What I would like to get from you for the record, since there would not be time now, is will you support the products that the President talked about in order to get the votes that he got for the New START treaty, in other words, noting our nuclear capability.

Secretary HAGEL. Whatever commitment the President made, I, of course, would support and carry forward my responsibilities in order to comply with those commitments and the Treaty.

Senator INHOFE. Thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator Inhofe.

Secretary Hale, on that GAO report, would you give us any differences that you have—not now but for the record—with that GAO report, in addition to the request of Senator Inhofe?

Mr. HALE. I will. May I just say quickly we do not intend to repeat the 2005 round? It was very different than we would do in 2015.

Chairman LEVIN. You can just give us your criticisms or disagreements with that report.

Senator Reed?

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

Secretary Hagel, General Dempsey, Secretary Hale, the Secretary mentioned in his comments that we are facing a lot of short-run constraints, sequestration, other issues, but longer-term there are financial issues that have to be dealt with regardless of the present dilemma with sequestration and the BCA. One of those is growing personnel costs and particularly health care costs. I know you have made some proposals in the budget in that regard, and I just want to direct the question to General Dempsey and ask the Secretary if he wants to comment also.

But it would seem to me that in order to effectively carry out any reforms, there has to be an ongoing dialogue with both uniformed

Active Duty personnel and Reserve personnel. That dialogue is probably best conducted by the uniformed military because you have shared the service and the sacrifice of these individuals more so than anyone else. Is that dialogue going on? Are there constructive ways organizationally to begin to save costs? Is there any sort of path forward that could be agreed upon and then giving us more of an opportunity to deal with a solution that has buy-in on all sides?

General DEMPSEY. There has to be, Senator. We have to find a way forward. The manpower costs are truly unsustainable when we project them out to 2020, which is where I am trying to look.

We have reached out. We have actually had several sessions now with veteran support organizations on this budget submission and more broadly on the issue of, let us call it, compensation reform. I would not suggest that we have made much progress, but I assure you we are working toward that.

Senator REED. I think it is something that you constantly have to do, and also, obviously, it is a two-way process, listening as well as explaining.

I think the other issue too that must concern you is that at some point you crowd out operations training, maintenance, procurement. For the Active Force, training, good equipment, well-motivated, well-schooled leaders are more of a factor than other benefits.

General DEMPSEY. Yes. If I could just reinforce that point.

What gets crowded out, by the way, is training and readiness. There are plenty of constituents for infrastructure, for compensation, and for weapons systems, but there are not so many constituents for readiness. So when I talk to the force about this, I explain to them that you do not want to be the best compensated force on the planet, but sitting at Fort Hood, TX, or Beaufort or Langley Air Force Base. We have to keep this thing in balance.

Senator REED. I appreciate that very much.

Last year, we were able to work through a process where we were able to reduce co-pays on pharmaceuticals by adopting a new technique of mail order, and that was a more efficient approach. I think those are the types of smart adjustments that might be more palatable and more acceptable and more achievable, frankly.

Mr. Secretary, just quickly changing, you initiated, as you indicated, a strategic review indicating that Secretary Carter and the Chairman should look at it. Can you update us on any insights you have at this point? Also, it obviously begs the obvious question: Is that strategy going to drive the budget or is the budget going to drive the strategy?

Secretary HAGEL. As I noted in my statement, the budget, obviously, is affecting all of this, not just fiscal year 2013, which we are living through, which you all understand what we are going through. I noted this and the Chairman did. But as we look out into the future, where are we going? How are we going to get there? What are our strategic priorities? How do we defend the interests of our country? When you look through that, obviously resources are critical to that.

When I initiated the Strategic Choices and Management Review, it was, yes, influenced by the budget, the uncertainty of that budg-

et. But also more than that, the world is a different kind of world today, as everyone on this committee knows. You all travel. You go everywhere. We have new threats. We have some of the same old threats. There is an alignment going on in global affairs that we have not seen certainly since World War II and maybe never quite seen it the way it is.

So the question I have to ask as Secretary of Defense is: are we prepared, not just today, but are we going to be prepared within the constraints of budget realities, but bigger than that? How are we using our assets? Are they smart? Are we doing wise things, capable things? You mentioned personnel costs, TRICARE. That has to be examined within and is being examined within the framework of our examination of everything.

You asked for a status. It is ongoing. As I noted in my remarks, we brought everybody into this not just to have a committee, but we have to hear from the combatant commanders. We have to hear from the senior enlisted. We have to hear from the men and women who actually have the responsibility of implementing whatever policies we decide. They are part of that. We should have it, at least initial report on this, by the end of May.

I get reports on this weekly. Ash Carter and I talk about it the end of every week. We will talk about it on Friday. It is a result of his collaboration with General Dempsey and what has been done that week and how it is all factoring in.

That is a general, broad brush of it. If you want to go deeper, I will be glad to.

Senator REED. No, Mr. Secretary. Thank you.

I just have a few seconds left which I would cede back to the chairman.

Chairman LEVIN. Thank you very much, Senator Reed.

Senator McCain.

Senator MCCAIN. Thank you, Mr. Chairman.

I thank the witnesses.

We are going to talk about Syria after this hearing, but I just have one question initially about it.

Secretary Hagel, General Dempsey, and your predecessor, Secretary Panetta, and Secretary of State Clinton and General Clapper, all have openly stated they favor providing weapons to the resistance in Syria. Have you reached an opinion on that issue?

Secretary HAGEL. I have not made a recommendation to the President that we should militarily intervene.

Senator MCCAIN. No. I am asking about providing weapons to the resistance.

Secretary HAGEL. We are constantly reviewing every policy, every option.

Senator MCCAIN. Have you reached a conclusion yet?

Secretary HAGEL. No.

Senator MCCAIN. Thank you.

General Dempsey, there are persistent rumors the North Koreans are going to launch a missile sometime in the next days or weeks to coincide with certain events. Do we have the capability to intercept a launch?

General DEMPSEY. We do.

Senator MCCAIN. Would you recommend if that missile left North Korean airspace, that we intercept it?

General DEMPSEY. If it threatened any of our facilities or any of our personnel.

Senator MCCAIN. So the criteria would not be whether it left North Korean airspace. It would be whether we viewed it as a threat.

General DEMPSEY. That would be my advice at this point. Yes, sir.

Senator MCCAIN. Is there any doubt in your mind that over time, the North Koreans are on the path to having a combination of a missile and a weapon on it?

General DEMPSEY. No doubt at all.

Senator MCCAIN. In the case of the Iranians, the latest round of talks have, obviously, been unsuccessful. We hear reports about increased capabilities that the Iranians have even announced. How serious do you think this is getting?

General DEMPSEY. I have said before, Senator, I think the Iranian threat is not limited to its nuclear aspirations. I think they are proliferating weapons of all kinds. They have surrogates and proxies all over the globe, and I think they aspire to control the Gulf.

Senator MCCAIN. Secretary Hagel, the defense budget for the 2014 request is \$52 billion over the spending cap imposed by the BCA. Have you made any plans? Are you going to share with Congress the plans that you will have to make if the BCA and sequestration is not repealed?

Secretary HAGEL. We are underway with those options right now, Senator. One of the parts of the Strategic Choices and Management Review is part of that. Every day that is what we are about, that reality.

Senator MCCAIN. Would it be appropriate to share with Congress, since it can only be Congress that repeals, and a signature from the President that repeals, the BCA? Would it not be appropriate for us to know what measures have to be taken in case existing law continues to prevail?

Secretary HAGEL. Yes, it is and we do. For example, I noted in my testimony that we will be coming up to Congress with a significant package of reprogramming requests, which we have been working with Congress on.

Senator MCCAIN. It is one thing to have reprogramming requests. It is another thing to submit an overall budget that reflects the realities of the law as it is today rather than sending us a budget that has restoration of cuts. So far, there has been no movement or action to repeal. I am saying that because I think we need to know what happens if we do not repeal. It is in your interests, in my view, to give us that information as to what would happen if we just simply complied with existing law.

Secretary HAGEL. I want to address both points.

One is we are continuing to do that, Senator, as part of Marty's testimony, part of my testimony on what we are doing, and explaining and working with the committees here in the House and the Senate if we do not make these changes, what is going to be requested. For example, is a supplemental appropriation within the

realm of what is going to be required? We do not know. We are trying to internally adjust now.

The second part of that is I would just add on the budget—and I noted one of the points made here this morning on this—the Senate and the House budget resolutions for defense for 2014 essentially were the same, basically the same numbers as our budget for defense.

The other part of this is, not at all dismissing your questions that are real and legitimate on the reality of this, but as well as anyone, this is a \$600 billion enterprise. This budget was put together over a year. To try to readjust that and come back with new numbers in a budget was difficult as well.

But make no mistake, Senator, we are dealing with the realities of everything that you just talked about.

Senator MCCAIN. But you need to share those with Congress, Mr. Secretary. I appreciate the fact that you put together a budget that ignores the realities of the law today. It would be very helpful in adjusting for those realities if you would share with Congress what the budget would be if the existing law is implemented.

Secretary HAGEL. We will.

Senator MCCAIN. When?

Secretary HAGEL. We are doing that now. As I said—

Senator MCCAIN. You will submit it to Congress.

Secretary HAGEL. I am sorry?

Senator MCCAIN. You will submit to Congress—

Secretary HAGEL. We have been informing Congress, working with Congress.

Senator MCCAIN.—a budget that reflects the \$52 billion less than the budget that has been submitted by the President?

Secretary HAGEL. As I said in my statement, if there is no balanced budget agreement, then that is the law, as you have noted, as I noted in my statement, that we are going to be facing the reality of a \$51 billion to \$52 billion cut. We are preparing for that reality.

Senator MCCAIN. I am just saying you need to inform Congress and work with Congress so that we can also explain to our constituents the realities of what would happen if the BCA were fully implemented. I do not think that is too—

Secretary HAGEL. No. I agree.

Senator MCCAIN. General Dempsey, the Commandant of the Marine Corps says the sequester's impact on marines constitutes excessive risk. Do you agree? Does that apply to all our Services?

General DEMPSEY. It does apply to all our Services. Full sequestration, particularly in the mechanism, would destroy readiness in a way that I think none of us would be very pleased with.

Senator MCCAIN. I thank you. My time has expired. I thank the witnesses.

Chairman LEVIN. Secretary Hagel, let me just agree with what Senator McCain was driving at. If you will let us know when you know what the impact would be of a \$52 billion reduction in the budget you have submitted, it will help us, I believe, avoid that outcome. I think that is what Senator McCain was pointing to, and I would just agree with that.

Secretary HAGEL. I agree with it. We will.

Chairman LEVIN. Okay, thank you very much.

Senator McCaskill?

Senator MCCASKILL. Thank you, Mr. Chairman.

I first want to thank Secretary Hagel and General Dempsey for responding to concerns that we have expressed. Senator Gillibrand had a hearing on this and many of us have been working on this issue for a number of years, and that is making sure that the military is doing everything it can to catch the perpetrators of sexual assault and make sure that the system is respecting the victims and is not arbitrary or capricious. I know that it is unusual for the Joint Chiefs to come together with a recommendation to change the Uniform Code of Military Justice (UCMJ) and for the Secretary of Defense to endorse that and embrace it in such a quick fashion as this occurred, and I just want you to know how grateful all of us are that we are working on this issue. We will continue to work with you as we codify some of these changes hopefully in the NDAA this year. I appreciate your mentioning it in your statement and look forward to working with both of you to make sure that we are doing everything we can to focus the system on the act that occurred and the facts surrounding that act and take the focus off the victim and what she did or did not do or what he did or did not do and get us into this century as it relates to the way this crime is being handled within the UCMJ.

It will not surprise you I want to talk about contracting. I noticed that U.S. Transportation Command recently put out a solicitation for airevac, medevac, airlift in Africa. So my question to you is, was there an analysis done as to why our current capability on medevac and all of the different commands that deal with—I think you all just canceled—the Air Force just decided to cancel the C-27J, which is hard for me to figure if we are going to turn around and contract with Blackwater, which it appears from the solicitation that you are looking for CASA C-212 as the only aircraft that would qualify under the solicitation. Of course, that is the aircraft that is used by Academia, the new name for Blackwater.

I am not against contracting logistical support, but I need to know what the analysis was as to why we cannot do this and why this is cheaper.

Secretary HAGEL. I do not know. Marty, do you?

General DEMPSEY. No. I know that our lift is stretched. It is a stretched resource, and in particular, most of what is coming out of Afghanistan these days comes out by lift.

Second, the threat environment in Africa is different than it is in other parts of the world, and I am sure that was a factor. Some of the aircraft you are referring to are actually—we do not want them in the inventory because of their sustainability and their capability.

So I know the analysis was done and I am sure that it followed the rules of competition by the Federal acquisition regulations. But we owe you an answer. I do not know the specifics.

Senator MCCASKILL. I think the answer I am looking for here is before we do contracting as a default position on logistics—what I worry about in this shrinking budget environment, that there is going to be even more of a tendency to just assume that we should contract it out because it is cheaper. If Afghanistan and Iraq have

taught us anything is that that is not always true. If you do not have adequate contracting oversight, it is not, and especially when it is inherently a governmental function. We could spend a whole hearing and we have many on that. But I just want to make sure that it is a new day, and as we begin to do new solicitations for new logistics support contracts in any threat environment, there has to be a really detailed analysis done as to why this is going to save you money and why we cannot do this within the existing command.

So I will be anxious to see that analysis that was done, and as you are probably aware, I will spend some time on it.

Secretary HAGEL. Senator, we will provide that for you.

[The information referred to follows:]



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

APR 23 2013
14 APR 29 AM 3:31

The Honorable Carl Levin
Chairman
Committee on Armed Services
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

In accordance with section 1213(a) of the National Defense Authorization Act for Fiscal Year 2013, this letter serves as notification of the President's decision to reduce the force level of U.S. Armed Forces deployed to Afghanistan by 34,000 by February 2014. Additionally, the Joint Staff is currently working to complete the section 1213(b) requirement, and I expect to deliver the final product to the congressional defense committees by the end of the month.

The Department of Defense and our commanders in the field will continue to work closely with other U.S. Government agencies and departments to achieve our objectives in Afghanistan, as we complete the transition to Afghan security lead. In the future, the Department of Defense intends to provide a timely response to Congress regarding future Presidential decisions on force levels in Afghanistan.

A similar letter is being sent to the other congressional defense committees.

Sincerely,

cc:
The Honorable James M. Inhofe
Ranking Member



Secretary HAGEL. But let me address just very briefly your general question and concern. You are right. That is part of what we are doing in the review. You have been, as much as anyone, engaged in this overall procurement/acquisition issue and been very helpful. That is an area that we need to do more, obviously.

There have been some successes. A recent GAO report that came out reflected rather positively on what we have been doing. We will

continue to stay at it for the reasons you mentioned and work with you on it.

Thank you.

Senator McCASKILL. Thank you.

As we are drawing out of Afghanistan, I think it is really time to measure the effects of large-scale infrastructure spending as being part of the counter-insurgency. I continue to harp on this, and I am going to keep harping on it until you all do the work. I need some kind of analysis as to how large-scale infrastructure spending contributed to a successful fight in the area of counter-insurgency. You have the ability because you have done small-scale projects and you have done large-scale projects. So I am confident that you can do the analysis as to the impact of what the Commander's Emergency Response Program was originally intended for versus water systems, electrical grid, highway systems, all of that that we have spent billions and billions and billions of Americans' dollars on.

If we do not do it now, there will be a tendency in the next conflict to say, okay, let us start building big stuff. I especially want the analysis to do the overlay of the security environment and whether or not the small-scale makes sense because you have to pay off less to security people and therefore risk getting the money into the wrong hands versus the large-scale payments we have had to make many times to the bad guys. So if you would get back to me on that analysis and when it is planned or how it is planned, that would be very helpful.

[The information referred to follows:]

Please refer to my letter to you, signed on April 29, 2013. [Inserted previously]

Secretary HAGEL. We will, and just one brief comment.

I believe about five of six of those large-scale infrastructure projects are directly related to energy or in some way the lifestyle and the well-being of the people of Afghanistan, which is obviously important for us and the importance of the government in bringing together some nationalism to promote a cohesiveness of society that actually makes their life better. We want to do that.

But your points about accountability, the whole question of can they maintain it, is this a wise investment, should we be doing smaller projects, all appropriate. They are being analyzed. They are being questioned, and we have spent a lot of money. Inspector General reports come out almost monthly on every one of these. We are looking very carefully at every one of them, and you are exactly right. So we will continue to work with you on it and get you the analysis your requested.

Senator McCASKILL. Thank you, Secretary Hagel. In isolation, the theory sounds absolutely sound, but now we have the data and we can figure out if it actually works or not.

Secretary HAGEL. We have made mistakes.

Senator McCASKILL. That would be terrific.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator McCaskill.

Senator SESSIONS.

Senator SESSIONS. Thank you.

Congratulations, Secretary Hagel. I look forward to working with you. I know you love the country and know a lot about the military. So we have some real opportunities, I think, in the years to come and some real challenges.

One thing that you need to fully understand—it happened before you came—was in August 2011 that this Nation reached the debt ceiling, and there was a national discussion about that. An agreement was reached and passed in the law. It was signed by the President of the United States. It said we will reduce the growth in spending by the amount we raise the debt ceiling, \$2.1 trillion. \$1.1 trillion of that was a sequester if an agreement was not reached by this committee, and the committee did not reach an agreement.

There was no provision in the BCA agreement to raise taxes. The President did succeed in January of this year raising taxes \$600 billion, but there was never an agreement as part of the sequester or the BCA to raise taxes. So that is where we have loggerheads. This is the problem.

So at the end of debate, I remember sitting bolt up when the President guaranteed the American people that sequester would not happen. But it is happening. It is happening right now. It is in the law.

Now, the House has proposed a budget that eliminates the cuts on DOD but finds other cuts in the government to replace them with. The President is saying he wants to eliminate the sequester, or he apparently indicates he does, but he wants to do it raising taxes. That is a non-starter.

Under our current debt path, we are increasing spending every year. The difficulty, as I pointed out before our committee so many times, is half of the reductions in spending in the sequester fall on DOD, which only makes up one-sixth of the entire spending in our government. So that is a disproportionate cut.

So as you talk to Congress about the difficulties, I suggest that you go to 1600 Pennsylvania Avenue and talk to the President, the Commander in Chief, because I am very worried. I am very worried because Congress is not going to raise taxes to eliminate the sequester.

It has been deeply disappointing, DOD has delayed telling us what those cuts might be. Senator McCain raised it a long time ago. I have talked about it. We passed legislation, as I recall, requiring you to lay out a spending plan if the sequester was not fixed. It is a big deal. I just want to tell you that you are in a tough spot. But I really do believe that the way to handle this is to look for other reductions in spending. Big agencies like Medicaid or food stamps and other programs got no reductions in spending at all. Zero. So there is an opportunity to spread some of these reductions around and not have this burden fall on DOD.

So as the ranking guy on the Senate Budget Committee, I have been wrestling with these issues. I am worried. I do not see an easy solution right now. Hopefully, something will happen, but you need to be prepared for the worst.

I am the ranking member on the Strategic Forces Subcommittee that has nuclear and missile defense forces. I just want to share some concerns with you, really, about the commitment we have as

a Nation—and this administration does—to the nuclear arsenal, our nuclear infrastructure, our nuclear modernization that we have said we are committed to and its understanding for our nuclear forces as they serve as the ultimate guarantor of the security of our country and the assurance it provides to our allies and our partners. These are big issues right now.

President Obama identified nuclear proliferation as a key danger to the United States and its allies, and it is a danger. Yet, the response we have seen from this threat of proliferation has been self-defeating, I am afraid. The President had hoped to set a disarmament example for others to follow by emphasizing nuclear arms reductions with Russia over nuclear deterrence, striking that balance. But the disarmament provision and the President's policies are undermined by our inability—the international community's inability—to keep regimes such as North Korea and Iran from developing nuclear weapons and long-range missiles. So this will cause proliferation not only in those rogue nations but people who feel threatened by them may well feel compelled to develop nuclear weapons.

I am sure you know, Defense Secretary Ash Carter, in an attempt to reassure our Asian allies in the face of North Korean missile threats, said on April 8, “we will continue to provide the extended deterrence offered by the U.S. nuclear umbrella.”

But the President in March in South Korea—March 2012, March last year—said as President, “I changed our nuclear posture to reduce the number and role of nuclear weapons in our national security strategy. I made it clear the United States will not develop new nuclear warheads and we will not pursue new military missions for nuclear weapons. We have narrowed the range of contingencies under which we would ever use or threaten to use nuclear weapons.”

So there is no wonder, I think, our allies are getting nervous here, and it has the danger of proliferation and danger of instability, I am afraid, in the world. We do not like to talk about nuclear weapons. This is a grim subject, indeed, but I want to raise these issues with you.

It looks like in November 2010, the White House issued the statement noting the administration had added \$4.1 billion to the 5-year plan for weapons, but according to my accounting, over the years 2012, 2013, and proposed 2014, assuming the sequester were to occur, we would have \$1.4 billion, 34 percent short of what the promised increases were.

We were informed last year that the replacement for the *Ohio*-class ballistic missile submarine and the air-launched cruise missile were both 2 years behind schedule. It has yet to be made clear about the follow-on for the Intercontinental Ballistic Missile (ICBM) program. The Life Extension Program (LEP) for the B-61 bomb was 2 years behind schedule, as was the planned LEP for the W-78 and W-88 nuclear warheads.

So, I think this is a dangerous trend that we have to reverse and stop.

I think what we need to hear from you, and the world needs to hear from you, is a commitment to maintain the strategic triad and modernizing U.S. nuclear forces and the nuclear weapons complex,

as I understand, the President has agreed to. I understand you support the agreement.

But just would you repeat that here today? I think it would be important for the world, our allies, and our adversaries. General Dempsey, you have your commitment that you will preserve our nuclear arsenal and pursue the nuclear modernization efforts that President Obama, our Commander in Chief, has committed to. Specifically, will you commit to increases in the fiscal year 2015 budget and FYDP to help get these capabilities on track or to, at least, prevent further delays?

General DEMPSEY. Senator, I am committed. My advice has been and will continue to be to maintain the triad to include extended deterrence in our capability and to maintain a safe and secure and reliable stockpile.

Chairman LEVIN. Thank you.

Senator SESSIONS. Secretary Hagel, you had a comment.

Secretary HAGEL. I have said that in my confirmation hearing, would say it again, and am absolutely committed to it.

Senator SESSIONS. Thank you very much.

Chairman LEVIN. Thank you, Senator Sessions.

Senator Nelson?

Senator NELSON. Mr. Secretary, it is good to see you.

There is talk around as a result of us passing the defense appropriations for the rest of the fiscal year. There is now talk around that you can reduce the furlough days for defense civilians from 14 to 7. Is that true?

Secretary HAGEL. Senator, we sent out notification to Congress, to comply with the law, that we were considering furloughing. Our initial take—and I will let our Comptroller respond more fully to this, but our initial take on it was maybe as much as 21 days were going to be required. We now have that down to 14. We are still reviewing, Senator, what actions we may have to take. I think we are probably a couple of weeks away from coming to a determination on what that furlough would be. Congress, of course, will be fully informed, kept informed on any decisions we think we need to make to comply with our budget restraints.

With that, let me ask the Comptroller if he has anything further.

Mr. HALE. I think you said it well, Mr. Secretary. We have not made a decision beyond the 14 days—beyond saying up to 14 days.

Senator NELSON. If it stays at 14, that would start to go into effect at what time? Either 14 or 7—when would it go into effect?

Mr. HALE. We also have not made specific timing decisions, but it would probably be in late June, perhaps at the 14-day level. I want to preserve the Secretary's options for looking at this.

Senator NELSON. Mr. Secretary, President Karzai has said that we are in cahoots with the Taliban. Why would he say such a thing?

Secretary HAGEL. I was welcomed with that comment as I was arriving in Afghanistan. We had an opportunity to expand on that privately, and he has since, I think, readjusted his thinking on what he said publicly. Secretary Kerry was there soon after my visit. I did not go into any great depth as to what led him to that conclusion, but I think he said something to the effect that he was misinterpreted or there was some confusion in what he said.

I spoke to President Karzai 2 days ago. I called him and I think it is important that we stay in touch with leaders. We had a conversation, in particular, about a bilateral security agreement, and I wanted to also get his sense of the handover at the detention center, which I know General Dunford was here yesterday and addressed that.

You know that that is an area of the world and its leaders are under a lot of pressure all the time. I think we need to stay engaged wisely and carefully and reach out, make it very clear what our guidelines are. We have a big challenge ahead of us, which has already been noted here this morning. We will probably get into a little more detail this afternoon on post-2014 activities and how many troops. What will be our mission? Why should we stay there? Should we stay there? So the only way we can, I think, responsibly transition out is to continue to work with the leaders.

But I guess only President Karzai would be able to answer that question.

Senator NELSON. Are the leaders over there beginning to accept the fact that we are not going to remain as an occupying force?

Secretary HAGEL. I think so, Senator. I think it is pretty clear, as we are consolidating our bases and handing over responsibilities. General Dempsey noted in some of his testimony this morning what the Afghan army has taken responsibility for, what their police force has. There is some good news. It is imperfect. It is, in places, raggedy, but that is reality. I think we have to recognize that this is the first time that we have ever seen any kind of a national government with a national unity of a national force and all that goes with it. We need to continue to assist where we can, but not occupy. But I do think, to answer your question, it is clear to the leadership in Afghanistan and the people that we are not there to occupy.

Senator NELSON. Mr. Chairman, I have some questions on Syria. Do you want me to wait until the afternoon session?

Chairman LEVIN. That is the plan, but you have a minute and 35 seconds left and I am not about to tell you how to answer. But we will have a—

Senator NELSON. I can yield back the same amount of time that Senator Sessions went over, and then we would be even. [Laughter.]

Chairman LEVIN. I think I am going to stay out of this conversation. You are free to ask a question.

Senator NELSON. I would just like to get it on the table, and if you want to discuss it later this afternoon, that will be fine.

If we are faced with having to go in and secure the chemical weapons in Syria, it has been bandied about that that would take 75,000 troops, boots-on-the-ground, American troops in Syria. Is that an accurate assessment?

Secretary HAGEL. I am going to defer that question to General Dempsey because we are looking at all options for all contingencies. But let me ask General Dempsey if he would take it.

General DEMPSEY. In the time remaining—and we can follow up this afternoon. We have looked at alternative futures. The answer to your question would be whether we are entering a hostile environment, a non-permissive environment, a permissive environment,

or an environment of collaboration. We know how that number changes based on the environment. But it is a resource-intensive task to be sure.

Senator NELSON. Thank you.

Chairman LEVIN. Thank you very much, Senator Nelson.

Senator Wicker.

Senator WICKER. Thank you very much.

First, Mr. Secretary, welcome back from your travels.

Let me quote from the Stars and Stripes dated April 16 regarding the sharing of medical records. It starts off, "Faced with tough questions from legislators, Defense Secretary Chuck Hagel on Tuesday said he would decide on a plan within 30 days to work through the tangled process to seamlessly share medical records between DOD and the Department of Veterans Affairs (VA)."

Mr. Secretary, it goes on to say you are doing this at the urging of members of the Veterans Affairs Committee. They have asked you to institute electronic transfer capabilities by December 31.

It mentions that Secretary Panetta, your predecessor, had instead taken another approach of filesharing rather than building a single, integrated system from scratch. He said he could not defend DOD's past performance on record sharing. In recent days he said he stopped further spending on the process and has restructured the program oversight.

I was in the U.S. House of Representatives before I came over here. I have been here 5 years, and I was on the appropriations subcommittee dealing with veterans for some time over there, Mr. Secretary.

We did not even have iPads 4 years ago, and this whole technology has been developed in 4 short years. It just seems to me that the fact that we have been talking in 2013 about filesharing only and not thinking big about a new system that our most talented people in America could certainly do, to just start over and have a system that starts within DOD and moves seamlessly with you when leave and need the system is something we ought to go to.

So tell us what we can expect from you in 30 days and elaborate, if you will, on your plans there.

Secretary HAGEL. I think, Senator, you have said it. Why can we not expect exactly what you just said? We should expect it. We owe that to our veterans.

I also said in my response yesterday that there have been a lot of positive things done too. There has been a lot of good things, and there has been a lot of progress. But we are still not where we need to be, where the President committed us to be in 2009, and Members of Congress expected us to be.

Now, with that said, there is no point in going back and blaming anybody for anything. We are where we are. Now, how do we fix it? That is the only thing that matters.

When I came in—and I am not an expert on any of this, but I have some background on this, Senator. 30 years ago, I was Ronald Reagan's Deputy Administrator of the VA, 1981 and 1982, and I had some ability at the time to start to actually computerize systems. Now, I do not take credit for that happening, but I pushed that pretty hard.

In some ways, we are still in a state of limbo in accomplishing what needs to be done. You used the iPad example as why can we not do this. We will do it. We will get to it. But I always start with who is in charge, who is accountable, how does it happen, theory, policy, strategy. You need it, but how does it get implemented. What I have done is I have asked to stop everything as far as request for proposals going out until I can understand what it is that our objective is. How are we spending our money? Why? What is it that we can do that is most helpful to the VA? What is our obligation to our people? We invent the veteran. The person starts with us. The seamless network, the interoperability that you refer to is where we need to be in everything. So we are going to continue to do it.

Senator WICKER. Have you had a chance to sit down with VA Secretary Shinseki about this?

Secretary HAGEL. I sat down with Secretary Shinseki in the second week I was on the job. We have talked a number of times on the phone. We talk once a week. We are very closely connected. It is a tough assignment that he has. But I am absolutely committed, as my predecessors have been—you noted Secretary Panetta's involvement—to make this work and to have these two agencies cooperate and work together.

Senator WICKER. What can we expect to receive from you? What can we on the committee expect to receive from you after the 30-day period you alluded to?

Secretary HAGEL. What I said is that I am assessing it all now, and what we will do is we will restructure the accountability chain as to how we are going to go forward, who is going to be in charge, and who will have that responsibility, what kind of resources we will have.

Senator WICKER. Is there something you can get back to us with, say, by the end of May?

Secretary HAGEL. Once I make a decision, we will, of course, share it with the committee.

Senator WICKER. Do you think that might be by the end of May?

Secretary HAGEL. As I said, my goal is to try to have something together structurally within 30 days.

Senator WICKER. Okay, thank you very much.

[The information referred to follows:]

Please find my memorandum dated May 21, 2013, to the Under Secretary of Defense for Acquisition, Technology, and Logistics and the Acting Under Secretary of Defense for Personnel and Readiness attached.



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

MAY 21 2013

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION,
TECHNOLOGY, AND LOGISTICS
ACTING UNDER SECRETARY OF DEFENSE FOR PERSONNEL
AND READINESS

SUBJECT: Integrated Electronic Health Records

Providing high-quality healthcare for current service members, their dependents, and veterans is among our Nation's highest priorities. Continuity of care is a key component of quality healthcare, and interoperability between Department of Defense (DoD) and Department of Veterans Affairs (VA) electronic health records is essential to enabling this continuity. DoD is committed to the seamless transfer of electronic health care records (EHR) between DoD and VA.

More interoperable EHR in the near term and a modernized EHR system in the mid term will create an environment in which clinicians and patients from both departments are able to share current and future healthcare information for continuity of care and improved treatment. As we move forward with these efforts, I recognize that only 4% of the current VA backlog is associated with the transfer or completeness of DoD records -- and that these EHR efforts should not be conflated with the present VA disability claim backlog -- which we have been working with VA aggressively to address. Nevertheless, improvements in interoperability and EHR modernization will impact the timely processing of future claims and will provide better continuity of care to our people.

Thank you for leading a group of senior DoD officials in conducting a 30-day review of the Integrated Electronic Health Record program to determine the best approach to ensuring we meet our commitment. Based on the findings of your review, I am convinced that a competitive process is the optimal way to ensure we select the best value solution for DoD.

A competitive process will allow DoD to consider commercial alternatives that may offer reduced cost, reduced schedule and technical risk, and access to increased current capability and future growth in capability by leveraging ongoing advances in the commercial marketplace. There are good reasons for VA to have selected its legacy system, the Veterans Health Information Systems and Technology Architecture (VistA), as the basis for its EHR core. However, many of these reasons do not apply to DoD. Also, based on DoD's market research, a VistA-based solution will likely be part of one or more competitive offerings that DoD receives.

We must work expeditiously to achieve our goal. To this end, I direct the following:

- DoD shall continue near-term coordinated efforts with VA to develop data federation, presentation, and interoperability. This near-term goal shall be pursued as a first

priority separately from the longer-term goal of health record information technology (IT) modernization;

- DoD shall pursue a full and open competition for a core set of capabilities for EHR modernization;
- The Assistant Secretary of Defense for Health Affairs will continue to serve as the functional sponsor for this capability and the Under Secretary of Defense for Personnel and Readiness will remain the overall lead for coordination on health care with VA.
- The Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)) shall immediately assume direct responsibility for DoD healthcare records interoperability and related modernization programs. USD(AT&L) shall lead DoD coordination with VA on the technical and acquisition aspects of this issue; and

Approaching this challenge in this manner will ensure that DoD acquires the right healthcare IT to meet its requirements while ensuring interoperability with VA, that this acquisition is conducted in a manner that achieves the best value for America's taxpayers, and that DoD invests in healthcare IT that is sustainable over the long term. It is important that we get this right – for those who serve and have served our Nation.



Don
IHABEL

Senator WICKER. General Dempsey, I was visiting with some DOD people earlier this week. A 9 percent sequestration cut, when you cram it into half a year, turns out to be 18 percent. The number of training sorties that we are able to have in the Air Force, for example, 18 percent of those cannot be done. I understand a lot of that is fuel, some other costs there.

The statement was also made to a small group of us that if only we had more time, we could absorb the sequestration cuts in a more logical way. It just makes me wonder. Did we take the wrong approach in assuring the public and assuring ourselves that sequestration really was not going to happen? This is just unimaginable.

It seems to me in retrospect—and I am speaking about myself also—that we should have known at the collapse of the Supercommittee, that sequestration was the law and also that it was likely to happen. If we had, since 2011, the realization that this was a fact and was going to happen in 2013, we would be in a better position, would we not, General?

General DEMPSEY. If you are asking me did we take the wrong approach, yes. I do think that this Strategic Choices and Management Review allows us to understand the impact and to be able to articulate to Congress what the effect of full sequestration would be.

But please remember too we are still trying to figure out how to absorb the \$487 billion of the BCA. So this is not the deepest budget cut in our history. It is the steepest by far.

Senator WICKER. Thank you, and thank you, Mr. Chairman.

Chairman LEVIN. Thank you.

In terms of Senator Wicker's request that we hear from you by the end of May, can you give us a status report by the end of May even if you have not made that decision, letting us know where you are? Would you include in that report the response of DOD to the Wounded Warriors legislation that we passed here that required that there be interoperability, not a single record, but interoperability by, I believe, the end of 2012? Let us know just what became of that and how interoperable the two systems are as part of your response to Senator Wicker's request, and give us again that status report even if you have not completed your decision.

Secretary HAGEL. I will.

Chairman LEVIN. Thank you.

Senator Udall.

Senator UDALL. Thank you, Mr. Chairman.

Good morning, gentlemen. Great to have you here. Mr. Secretary, I particularly want to extend a special welcome to you in your first appearance as the Secretary of Defense before the committee.

General Dempsey, let me start on cyber, if I might. I was pleased to see the increased funding in the budget, especially given the threats and the capabilities that we have seen developing over these last few years, and what you are proposing will hopefully allow us to stay ahead of all of this.

Can you give the committee a sense of what the \$800 million in the budget will buy us? What enhancements will be a result of that investment that we did not have before? On that same subject, given the current level of maturity, is it now the appropriate time to elevate U.S. Cyber Command (CYBERCOM) to the level of a separate unified command?

General DEMPSEY. What we are doing with the \$800 million; we are organizing ourselves. Currently, we have capabilities at the national level. I know you know this, Senator, but our portfolio for cyber is very narrowly defined as defending the dot-mil domain. So we are protecting ourselves, though we have said frequently that we have capabilities that could be extended to the Nation, should that become necessary, in the defense against an attack, for example. So we have the teams formed at the national level.

We are also trying to export the capability, if you will, to the combatant commanders, forming fusion centers, operations centers, if you will, so that they have the capability to conduct reconnaissance of threat networks external to the United States, of course, and then defensive teams that if the dot-mil domain is under attack can block and, if necessary, have the capability to perform offensive cyber as well.

So what we are doing is protecting ourselves. But you are interested, of course, as well as the Nation, and I think that the next step in that journey will require some legislation to augment and supplement what the President provided in his Executive order.

Senator UDALL. Thoughts on a unified CYBERCOM? Do you want to take that under advisement?

General DEMPSEY. Yes, sure. We have not pushed it because we want to make sure that the timing is right. You know that I advocate that CYBERCOM and the National Security Agency be dual-hatted. I am not sure we have been persuasive in that regard, and so until I am persuasive, we want to leave well enough alone because I think we are adequately organized right now. But I think that if we are having this conversation in 2020, people will say, of course, it should have been a unified command, but we are just not there yet.

Senator UDALL. Mr. Secretary, you know well the important role research and development (R&D) has played, not just in DOD but the work that has been done has been translated and transferred over to the civilian sector dating way back.

I want to focus on energy R&D. Many experts have been saying that we should do so in DOD. I understand in that vein that the price of fuel that the Services will pay—and this is conventional fuel—is going to rise to over \$4.70 per gallon on May 1, which is an increase of about 21 percent over current prices. The bottom line is oil prices keep going up and the volatility of those prices makes budgeting impossible.

With that in mind, what kind of investments will DOD need to make to prevent our fuel bill from cutting further into our critical programs?

Secretary HAGEL. You know the numbers on this, Senator, as to how much money we spend annually and one of the largest, maybe the largest, consumer of fuels in the world is DOD. So it is an issue. It is not just a budget issue, but it is a security issue, the reliability of our sources as we have the fleet all over the world, and planes.

We have an office in DOD that focuses on this. We have programs within that office. We continue to look at different options and programs. We fund those offices. It is a priority, has to be a priority, within the balance of all the things that we are doing.

The R&D wing of defense has been a remarkably productive element for defense and the country. So, yes, it is a priority, will continue to be a priority.

Senator UDALL. I look forward to working with you in that regard. I want to, again, pay tribute to the Navy, in particular. It has really been on the cutting edge of this effort, Secretary Mabus specifically.

If I might, let me reference General Dunford's comments yesterday that he is worried about the effect that cuts will have on the training and readiness of troops rotating into Afghanistan. General Odierno told us last month that reduced training dollars could force the Army—extending tour lengths in order to prevent units that are not fully prepared from going into harm's way.

Do you have the same concerns? If I could be more blunt, is Congress' inability to compromise putting our troops' safety at risk? I direct that to both you and General Dempsey.

Secretary HAGEL. I will respond briefly and then General Dempsey will want to respond.

First, as General Dempsey has said, as I noted in my statement, readiness has to be our number one priority. I cannot certify, nor can the Chairman of the Joint Chiefs, or any of our chiefs, to have

our young men and women go to war if they are unprepared, if they are not ready. I will not do that. I know Chairman Dempsey will not do that. Any of our leaders will not do it, so it has to remain a priority.

Are we concerned with the cuts and what is happening? Yes, we are. As you heard this morning and will continue to hear, we are working around that in every way we can to affect that. But at some point here, we are going to see that start to cut pretty deeply, I think, as the Chairman has noted and General Dunford noted, the chiefs have noted.

With that, let me ask General Dempsey.

General DEMPSEY. Yes, I am deeply concerned. Right now, Senator, we are consuming readiness. We are using it. We are not producing it. We are stuck in that position because we have to find \$23 billion in readiness funding for the rest of the year. So we are consuming it. We are not producing it. That is a dangerous path.

Senator UDALL. I would note we have another opportunity as a Congress in the early/middle part of the summer to deal with this. It is my desire that we do so, and I am going to be focused on this in every way I possibly can. I know Sergeant Hagel would not send our troops into combat without being properly prepared.

Thank you again, gentlemen.

Chairman LEVIN. Thank you, Senator Udall.

Senator Ayotte.

Senator AYOTTE. Mr. Chairman, I am going to defer my questioning to Ms. Fischer and go after her. Thank you.

Chairman LEVIN. Senator Fischer.

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

Thank you, Mr. Secretary, for being here today. General Dempsey, Mr. Hale, I appreciate it very much.

I would like to follow up a little bit on Senator Sessions' question about the commitment to the triad. You all agreed that you have a firm commitment to the triad. Is that correct?

Secretary HAGEL. Yes.

Senator FISCHER. General Dempsey, you as well?

General DEMPSEY. Yes, Senator.

Senator FISCHER. Do either of you see any reason to abandon that commitment in the foreseeable future?

Secretary HAGEL. No, I do not see a reason to abandon it.

General DEMPSEY. Nor do I.

Senator FISCHER. Thank you.

I ask this because, Secretary Hagel, last week you were speaking and testifying before the House Armed Services Committee, and you discussed your office's request for funds to perform an EIS related to the ICBM missile wings. What is the EIS examining?

Secretary HAGEL. Senator, in the NDAA, we were instructed to examine possible ground-based locations on the east coast to supplement the two that we have on the west coast, Fort Greeley and Vandenberg. We are conducting EISs to examine those at the direction of the NDAA.

Senator FISCHER. Are you looking at any partial shutdowns at all?

Mr. Hale, did you have a comment you would like to put in?

Mr. HALE. I think you are referring to the EIS at the three missile wings. Is that correct?

Senator FISCHER. Yes.

Mr. HALE. There, I think, we are looking at ways to accommodate the New START treaty's drawdown and looking at all options. But as the Secretary just said, no decisions have been made.

Senator FISCHER. It is my understanding that leadership in the military consistently says that we need to make sure that we have a strong triad and that we need our ICBMs. So why would we be conducting any kind of study looking at possible shutdowns?

General DEMPSEY. As Mr. Hale said, Senator, we have to get to New START levels. So we have to look at the triad. The two places that are likely to be adjusted are either submarine-launched ballistic missiles or ICBMs. So the EIS is looking at the impact of that.

But we are already on a path where we have to achieve New START levels by, I think, 2017.

Senator FISCHER. Would that include keeping some of the silos warm?

General DEMPSEY. It could, Senator. That is partly the purpose of the EIS, as well as the Nuclear Posture Review that we have been conducting for some time.

Senator FISCHER. Are you looking at any other missions with regard to EIS, besides the ICBMs?

General DEMPSEY. Meaning some other use for those silos? Yes. We are looking at the entire spectrum of possibilities.

The problem with keeping a silo warm is that it causes concerns in our compliance with New START. So we have to work through all that, but we are looking at the entire spectrum of possibilities.

Senator FISCHER. Does that include shutting down any of the missile wings completely?

General DEMPSEY. Decision to be determined, but generally speaking at this time, we do not believe so.

Senator FISCHER. What is the cost of the evaluation? Do you have any idea on that?

General DEMPSEY. I do not, Senator.

Mr. HALE. I am going to have to give you that for the record. I am sorry. I do not have it in my head.

Senator FISCHER. Okay, that would be good.

[The information referred to follows:]



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

APR 23 2013
14 APR 29 AM 3:31

The Honorable Carl Levin
Chairman
Committee on Armed Services
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

In accordance with section 1213(a) of the National Defense Authorization Act for Fiscal Year 2013, this letter serves as notification of the President's decision to reduce the force level of U.S. Armed Forces deployed to Afghanistan by 34,000 by February 2014. Additionally, the Joint Staff is currently working to complete the section 1213(b) requirement, and I expect to deliver the final product to the congressional defense committees by the end of the month.

The Department of Defense and our commanders in the field will continue to work closely with other U.S. Government agencies and departments to achieve our objectives in Afghanistan, as we complete the transition to Afghan security lead. In the future, the Department of Defense intends to provide a timely response to Congress regarding future Presidential decisions on force levels in Afghanistan.

A similar letter is being sent to the other congressional defense committees.

Sincerely,

cc:
The Honorable James M. Inhofe
Ranking Member



Senator FISCHER. Senator Hagel, in your prepared statement, you speak about the curse of human despair and poverty, along with environmental degradation, as key threats confronting our military. I guess I was not aware that our military was ever formed to look at those items. Why did you put that in your statement, especially in light of the budgetary concerns that we now have?

Secretary HAGEL. That was included in the list of issues that our military does have to face around the world as we go into other

countries to protect our interests. What produces terrorists? What produces instability? What produces uncertainty around the world? That rolls right back on responsibility and obligation of DOD to protect our interests around the world. When you have unstable areas that, partly, are as a result of poverty, degradation in any way, it adds to the complication of the environment of terrorism challenge problems. So it was not just one issue. I listed an entire inventory.

Senator FISCHER. How would you try to balance that, though, with the needs of our men and women who are in the Service and their need for training, for resources, to make sure that we do not send out a hollow force, and that they have all the resources that they require to accomplish their mission?

Secretary HAGEL. Senator, that inventory of issues was, as you note from my testimony, an inventory of issues of the global environment that we face today. I mentioned global terrorism, technology, and so on. It had nothing to do with directly making a choice. But my point was when you look at all those challenges that we need to prepare our military—for example, in Iraq and Afghanistan, young Army and Marine Corps captains were doing many things on the ground. They were leading their men and women into combat. They were dealing with tribal leaders. They were dealing with different systems within the village. They were dealing with social issues. So it all does have an intersection and a confluence as to how we train and prepare all of our people.

Senator FISCHER. With the sequester and the limits that we are going to have on DOD's budget, are we going to be able to continue to train our military so that they can address that very wide range of issues that you listed?

Secretary HAGEL. We are going to have to continue to train our military to be prepared to deal with every eventuality, every contingency, every option. That is how we prepare our military. It is how we prepare any institution's leaders.

Senator FISCHER. So as you look ahead to that \$52 billion in cuts that are not a part of the budget that you presented but yet are required under the sequester, do you have any idea at this point, at this hearing, on what you would suggest that we are able to cut and still maintain a fighting force that is well-prepared?

Secretary HAGEL. I would refer you back to the comment I made in my statement, and General Dempsey has noted, and my response to Senator McCain on this question. That is one reason—not the only, but it was certainly an important reason—why I directed the Strategic Choices and Management Review to prepare all of us, DOD, all our forces, to deal with that \$52 billion that may well be coming. That, as you note, is reality. That is law, and it may get worse. It may be another \$500 billion over 9 years. So within that review, Senator, then we will have to come up with ways to deal with this reality with this current law.

Senator FISCHER. Within your review, would you also list what you deem as priorities that cannot be reduced?

Secretary HAGEL. That is the whole point of it because it is a matter of, as I have noted here, others here, a prioritization of our resources, but mainly it has to begin with what is our main respon-

sibility. The main responsibility we have—I have as Secretary—is the security of this country.

Senator FISCHER. Thank you, sir.

Chairman LEVIN. Thank you, Senator Fischer.

Senator Hagan.

Senator HAGAN. Thank you, Mr. Chairman.

General Dempsey and Secretary Hale, thank you, obviously, for your service. Secretary Hagel, welcome back to this committee.

Secretary Hagel, I wanted to ask you some questions about the furloughs. The Navy is reporting that with the recent passage of a defense appropriations bill, that it does have the financial resources to avoid furloughing the 200,000 Navy and Marine Corps civilians, including thousands from my home State of North Carolina. However, recently a DOD spokesman stated that the current plan is to implement civilian furloughs with rough consistency across DOD.

So I remain committed to replacing sequestration with a balanced, long-term approach that can give certainty not only to DOD, but to the Departments, to businesses, and obviously, the men and women serving our Nation. Until this problem is fixed, I am concerned about any unnecessary furloughs.

While there would be some short-term savings by furloughing civilian employees, those savings would be outweighed by the longer-term drop in readiness. For example, delaying maintenance like that performed at FRC East at Cherry Point would likely result in additional cost when the backlog would be eventually addressed.

So, Secretary Hagel, do you plan on furloughing civilian workers even if it is not financially necessary? How does DOD plan on approaching furloughs?

Secretary HAGEL. Thank you.

First, you know that when we notified Congress, appropriate to the law, that we are considering furloughs, which we have done, at that time we were looking at the possibility of a 21-day furlough. We have since announced, as we have tried to bring this down and manage it, that we think we are at 14 days. We have also said if we have to do this, it could be less.

But that said, to answer your question, we are examining all of this very carefully for the reasons you mentioned. That would be one of the last options that we would want to take for the reasons you mentioned and more.

We believe within 2 to 3 weeks, we will have an answer to this. There could be some better news; there could not be some better news. But we are dealing with a balancing here of where do you get the cuts in order to, as you have said—we discussed this morning—maintain readiness and do the things that we have the highest responsibility for, what are our highest priorities? Now, that is not to say our civilian workforce is not a high priority, not at all. I think General Dempsey talked about the costs of getting back, and you just mentioned some of the maintenance issues. We are well aware of that. There are no good choices here, Senator, at all.

So we will not take any action on furloughs unless in our collective judgment there is no other way to get around this in order to comply with the law and with our budget.

Senator HAGAN. Thank you. But I would like you to be sure and look at what the Navy has said in response, that it does have the financial resources to avoid those furloughs.

Secretary HAGEL. I am not unaware of that, but let me respond this way. We have tried to come at this in a fair way across the board. Some Services are in better shape than others. I do not think that is necessarily—and I will ask the Chairman to respond to this—meaning one Service is better managed than the other. The Army has taken the brunt in Afghanistan. They had to chew up so much of their budget. That is the way it is. I do believe—and I said this when I first went over there 6 weeks ago—on this issue and everything, we are going into this together. We are going to come out of it together. I think that is the wise, smart, and fair way to do this. Some Services are on some higher ground with their budget than others. So that is recognizing what you have just said.

Let me ask General Dempsey on the Service—

Senator HAGAN. I would also add the Marines are taking that brunt too.

Secretary HAGEL. That is true.

General DEMPSEY. I cannot improve upon that, Mr. Secretary. That is right. This is an issue of dealing with this as a Department, not as individual Services.

Senator HAGAN. General Dempsey, let me move to the cyber threat issue. I know we were just talking about that too. We all know that China, on a huge scale, is routinely hacking into U.S. Government information networks collecting intelligence and stealing technology. The same is true for our U.S. businesses and academia.

There have been numerous press reports of Chinese cyber-operators breaking into industrial control systems. Specific stories indicate that Chinese actors penetrated the control systems of a string of gas pipeline companies to such an extent that they could have freely manipulated them.

So I am interested to know the extent of China's cyber capabilities that could have a more direct impact on our security if we were to find ourselves in a crisis in the future. Although conflicts between the United States and China is a very remote proposal, can you address China's cyber capability, if it would allow it to effectively attack our critical infrastructure through cyberspace if it felt compelled to do so, and likewise, your comments on whether you think China would be able to impair our ability to mobilize, deploy, and sustain military forces in the Pacific from a cyberattack on infrastructure that DOD, obviously, depends on to move and supply our troops?

General DEMPSEY. In the time available, let me, if I could, Senator, suggest that we have a longer conversation about this.

But I am concerned about the state and non-state actors and individuals operating in cyber. It is ungoverned space and there are plenty of actors taking advantage of it. We are vulnerable to it. We will continue to be vulnerable to it until we reach agreements both internal to our country and also internationally.

I am going to China, in particular, in the next week or so. You may have seen that Secretary Kerry, when he was there, gained

agreement with them to have a cyber working group, and I think that will be a very positive step forward.

But I am concerned about the vulnerabilities in cyber in general, not necessarily pended to any particular country or group.

Senator HAGAN. Whenever I talk about cyber, I always want to talk about the fact that we need to really concentrate on science, technology, engineering, and math (STEM) education in our K through 12 and in our university system. I think we need to have a much larger focus and investments in STEM because not only does our military need individuals well-trained in that field, we are competing with industry right now and so many other factors. These are the jobs that are going to continue propelling the United States as a global super power. So I just want to reiterate the intense need and desire for investments in STEM education.

General DEMPSEY. I think Duke University would be particularly well-placed to lead that effort.

Chairman LEVIN. A very wise answer. [Laughter.]

Senator HAGAN. Many of our North Carolina institutions.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you very much, Senator Hagan.

Senator VITTER.

Senator VITTER. Mr. Chairman, because of scheduling concerns, I am going to defer to Senator Ayotte, and then if I could be the next Republican? Thank you.

Chairman LEVIN. If you are here at that moment, you will be the next Republican and then Senator Lee would be after you, and now Senator Ayotte.

Senator AYOTTE. Thank you, Mr. Chairman. I thank Senator Vitter for yielding to me. I really appreciate it.

I want to thank our witnesses for being here today.

Let me echo what Senator Hagan just touched upon with regard to the furloughs because I had an opportunity to meet with Admiral Ferguson yesterday and he is going to be testifying before the Readiness and Management Support Subcommittee on the Navy readiness posture. He also informed me that the Navy, in looking at their resources and budget, have come up with a proposal that could end all the furloughs for the Navy and the Marine Corps, including—of course, you think about our shipyards and the important maintenance work done there, particularly at the Portsmouth Naval Shipyard. One of the reasons he gave me was—it made a lot of sense to me, having been to the shipyard and talked to certainly the commander there and the workers—that once we get behind on a maintenance schedule, then the entire maintenance of our naval fleet and our submarine fleet gets behind. So what I was told by Admiral Ferguson is this proposal to end the furloughs he believes would also be cost efficient because of the maintenance schedule issue that will get us behind if we have to furlough the workers at the shipyard in Portsmouth and the other public shipyards in the country.

So I wanted to follow up just to add to what Senator Hagan said, and it is my hope that given that the Navy has said that they are able to do this, that we will follow through because I understand the difficulties and appreciate—and I thank you for serving in challenging times in sequestration. But if we can, obviously, in areas

that are very important, such as the maintenance of our submarines and ships, not get behind schedule and also keep those workers working, I think that is very important.

So I do not know if you have a further comment on that, but I am really hoping that given that they have come up with this proposal, that you will decide to implement it.

General DEMPSEY. Senator, as the Chairman of the Joint Chiefs, it will not surprise you to know that my recommendation—and that is what it is—to the Secretary is that we deal with this problem as a Department, not as individual Services. I know, for example, that the Army has some real problems at Anniston Army Depot in trying to reset equipment that has been beaten to death in Afghanistan. So every Service has their own particular challenge, but my recommendation is that we have to deal with it as a Department.

Senator AYOTTE. I appreciate that. Also, I would hope that as you look at it, you think about, to the extent we can mitigate additional costs we are going to see in the long term like, for example, in a maintenance schedule or even with the reset of equipment, certainly I know that you will look at those issues. I know that you are in a tough position. But I was encouraged to hear that by Admiral Ferguson the other day and appreciate the decision that you will make. Thank you for taking those priorities into consideration.

Secretary HAGEL. Just to reassure you on it, Senator, as I had noted to Senator Hagan, Mr. Hale spends a good part of every day of his life and his staff dealing with this. This is as difficult a part of this as we have to deal with. I noted that in my testimony. You are right on every count on maintenance and costs and longer-term costs. All those factors are part of it. We will only take action if really we feel—the chiefs and everybody—there is no other way to get around this.

I would also say, without getting too deep into this, that if we would have to move in that direction of furloughs, there are exceptions as well to those who would be exempt with certain jobs. Then we would have to factor some of what your conversation is about into that as well.

Senator AYOTTE. Good, good. That makes sense so that you can try to prioritize given the challenges. I appreciate that, Mr. Secretary.

I also wanted to ask you if—you said in your prepared statement that our next goal is audit-ready budget statements by the end of 2014. Secretary Hale will appreciate this because I have asked him about this on many instances. But what I really want to ask you is will you meet the law and produce the budgetary statement of audit-ready budget statements by the end of 2014 because it is the law?

Secretary HAGEL. I know it is the law. We are all aware that it is the law. We are committed to do that and to comply with the law. We need to do it whether there was a law or not.

Senator AYOTTE. Good. Thank you. I appreciate that very much.

I wanted to ask about the North Korea situation, and in particular, if you have had any interactions with your counterpart from China, Mr. Secretary.

One of the concerns I have had and I know that the administration shares is that North Korea is very dependent upon China for their economic viability, including food, fuel, trading. In my view, China could end some of the deeply troubling and bellicose behavior that we are seeing from the leader of North Korea. I know we put additional defense assets in the area because we are concerned about the North Koreans.

So if I could get a comment from either Secretary Hagel or General Dempsey about the Chinese, what interactions we have had with them, and how we could encourage them to tell North Korea to knock it off.

Secretary HAGEL. Thank you. I will begin and then I know General Dempsey will want to say something because, as he has noted and he will talk about, he is leaving for China here in a couple of days.

Yes, I have spoken to my Chinese counterpart about this. We spent some time on this issue. He is well aware of the seriousness for them too, the common interests.

Secretary Kerry was just recently there. I talked to Secretary Kerry Sunday night. He was in Tokyo. He called me and we had a long conversation about it. I will see him today. We will have further conversation about it. Both of us focused on the same issue. We need more help from China here for the reasons you mentioned. So let me leave it there before I ask General Dempsey to respond.

You are right. We are doing everything we can within our frameworks here to encourage the Chinese to do more. I think that we are seeing some response to that. This issue is not over. We know that. But I think it is moving in the right direction with the Chinese.

General DEMPSEY. I will just add, Senator, you can be sure that is going to be on the top of the agenda when I am in China. I will be happy to give you a call when I get back.

Senator AYOTTE. I am sure you will come up with a more polite way to say, can you tell them to, "knock it off," but that is what we need.

General DEMPSEY. I wrote that down. I will see if I can fit it in. [Laughter.]

Senator AYOTTE. I appreciate it.

I thank you all for being here and for your leadership.

Chairman LEVIN. General, I think it might be very helpful if you get a Chinese translation of "knock it off" because that kind of directness, I think, reflects the feeling of every member of this committee, probably every Member of the Senate, that they have an ability—they being China—capability and, indeed, a responsibility to the region and the world to take the action that they are able to take to tell North Korea that their continuing economic support of North Korea is dependent upon North Korea "knocking it off," however that is translated into Chinese, Mandarin, or otherwise.

General DEMPSEY. Thanks, Mr. Chairman. I think there is an opportunity to have this conversation in a new way. Secretary Kerry and their leadership agreed on the discussion of a new great power relationship. Great powers have great responsibilities, and I think on that basis, we will have a good conversation.

Chairman LEVIN. Thank you, Senator Ayotte, for your plain English. We appreciate that.

Senator Gillibrand.

Senator GILLIBRAND. Thank you for your testimony. Thank you for your service. I am extremely grateful.

I would like to just continue the line on North Korea just for a moment. Obviously, they have extraordinary unpredictability and highly threatening behavior, and we need China to step up to play a leadership role, to apply the kind of serious pressure that it will take to have North Korea refrain from the language and threats that they are making. How confident are you that we will be able to convince China to play this role? If they choose not to, what recommendations will you make?

Secretary HAGEL. As I said in my parting comments regarding this issue, I think we are seeing some movement in the right direction with our relationship with China on North Korea. I start with the fact that this is a problem for them. Every nation responds in its own self-interest, which is predictable. But we clearly have a common interest here. I agree with the chairman's comment that he just made that we may have some opportunities here, and the way we are approaching it, I think, is the right way to approach it. As to what happens if things do not turn out right, I think we will have to deal with that at an appropriate time.

But I have some confidence that this is moving in the right direction. It is always a balance of projecting force, which we have done, I think, wisely and carefully. Diplomacy and economics are involved in this. I think also we realize that they have a new set of leaders in China. So they are going to carefully navigate this, as they should, and I think we are seeing that kind of careful and responsible leadership through this. We need to do more. I believe China needs to do more. But we will keep working at it.

Senator GILLIBRAND. My concern is that we have a lot of assets now moved to the region in response to the threats in order to be prudent, but part of our military exercises in the region may well exacerbate the type of response that we have gotten from North Korea. Do you imagine that if we can engage China appropriately—and obviously, China has every interest in the world to engage on this appropriately—do you think it would change our long-term strategy for how we respond in the region?

Secretary HAGEL. We have interests and we will continue to have interests in the Asia-Pacific, and that is, obviously, part of what was behind the President's decision to rebalance in our defense strategic guidance. I agree with that, and I think that was an appropriate rebalancing.

Our allies in that area are critically important. Allies are always important, but I think as we sail into an even more complicated 21st century where military action alone is not going to make the decisive moves that will bring about the conclusions and accomplish objectives that we want, we are going to have to work with allies. We are going to have to continue to prepare and build up our allies.

Obviously, China is a hugely important country. It will continue to be. We have a relationship with it that is one of competition, one

of cooperation, and in some cases, one of collaboration where we find common interests.

So, yes, it has a lot to do with the future and our role.

But I do not think there is any mistake that anyone should make that the United States is not going to be in the Pacific and Asia for a long time. Our interests are clearly there. We have strong alliances there and friends there.

Senator GILLIBRAND. Along the lines of long-term strategic planning, as we consider these kinds of threats, we also have to consider nonstatic nuclear-equipped states that have capacity to launch threats from other locations. Have you thought about whether we need an east coast missile defense system and site? What role do you see EADS playing in ensuring domestic security against a nonstatic nuclear-equipped state?

Secretary HAGEL. We discussed this a bit in the latest exchange with Senator Fischer, and others have asked this before.

We are involved now in a study directed by the NDAA which we are undertaking now. We have not come to any conclusions. That, of course, as we know, is a part of a review and a study. We will present those reviews and conclusions.

So I could not give you an answer now, Senator, on whether I think we need an east coast site or not.

Senator GILLIBRAND. We can continue that dialogue.

Secretary HAGEL. We will.

Senator GILLIBRAND. For the last minute, I would like to turn to cyber. I know, General Dempsey, you have testified already today that it is very important for the defense budget to expand our cyber capabilities. I believe that an attack on our infrastructure is a threat that we cannot take lightly, and I appreciate that you believe you do need some legislative support to amplify the President's Executive order.

One piece of legislation I have been working on with Senator Vitter is to create and leverage a cyber guard. Basically it would allow the capacity of the National Guard and Reserve to have expertise outside of the military to leverage that expertise to the benefit of our national security. Is that something you have thought about? Is it something that you would be willing to work on with me?

I have talked to some of the Service Chiefs already and I have gotten a positive letter back from General Alexander on the topic. But I would love your thoughts.

General DEMPSEY. The short answer is yes. I think we need to take a total force approach, which means we need both Active and Guard involved. I am familiar with the direction you are moving. Anything that Keith Alexander tells me I generally agree with.

Senator GILLIBRAND. Thank you. Thank you again for your service, each of you.

Chairman LEVIN. Thank you, Senator Gillibrand.

Senator Vitter.

Senator VITTER. Thank you, Mr. Chairman.

Thanks to all of you for your service.

With regard to the budget, the big threshold frustration a lot of us have is that it is 2 months late largely, we were told, because of dealing with sequestration and planning about sequestration. Then we get it 2 months late and it ignores sequestration. Do you

think that is a responsible or a helpful approach to ignore what is clearly part of the law and give no guidance about how you would deal with sequestration even in fiscal year 2014?

Secretary HAGEL. Senator, thank you.

My answer would be this. As I noted earlier this morning, a \$600 billion enterprise just does not slam together a budget. It is a year-long process. Before I got to DOD, it was pulling together that budget and it was predicated on what the President's numbers were, numbers that we were given from the Office of Management and Budget.

Second, I noted this morning—and this is in no way a defense of us being late, but the House and Senate resolutions for the DOD budget were essentially the same as the budget we are presenting.

I recognize—we do recognize—that sequestration is the law of the land, the reality, and that is why I have asked essentially for the review to prepare this institution to have to deal with the law of the land as it currently is, as you have noted, sequestration and beyond.

Senator VITTER. I appreciate that.

Let me just point out that, obviously, sequestration started recently, but it was enacted—that possibility was enacted in mid-2011, and then mid-2012. Congress affirmatively said start planning for it, show us that outline. So it is not as if it was a complete surprise a few months ago.

But given that planning, when we will see your budget, if you will, taking account of sequestration, at least for fiscal year 2014?

Secretary HAGEL. As I said to Senator McCain, we are working on it now. We have had to adjust. We are adjusting to 2013. At the same time, we are also looking at the reality of taking another \$52 billion cut for 2014.

Again, I go back to why I asked the institution for the review, due the end of May, so we can understand better what our choices are, first what our priorities are, what are the obligations and responsibilities of DOD first. Then we look at that reality of what we are going to be dealing with. From that, then comes the numbers and how we prepare to make that cut.

Senator VITTER. Will that yield and outline a budget given to us, given to Congress that takes into account that number at least for fiscal year 2014?

Secretary HAGEL. I do not think we are talking about sending up a new budget, but we are certainly working with Congress and the appropriate committees on how we intend to go forward.

Let me ask the Comptroller if he wants to add anything to this.

Mr. HALE. Nor would I expect we would send up another budget and provide information—

Senator VITTER. I do not want to get bogged down in semantics, but the point is, when will we see your recommendations about how you would deal with those numbers starting in fiscal year 2014?

Mr. HALE. I think it would be sometime after May 31, but we need to give the Secretary time to review it.

Senator VITTER. But we will see that sort of proposal, whether you want to call it a new budget or whatever you want to call it. It does not matter.

Mr. HALE. I assume at some point, if the Secretary agrees, that we would share it with Congress.

Senator VITTER. Mr. Secretary, would you share it with Congress?

Secretary HAGEL. We will have to share it with Congress because, as I said in my opening statement, Congress is a partner here, and we have to let Congress know and work with Congress on how we intend to do this, to accomplish it.

Senator VITTER. I think all of us feel like the sooner, the better and the more specific, the better, because you all are the experts about these things far more than we are. So we would like that leadership and that guidance to continue that discussion in a productive way.

The second point. Even ignoring sequestration, the President's New START funding commitment is not kept in fiscal year 2014, \$300 million short. Now, these were very specific commitments related to the passage of that treaty, the ratification of that treaty. There were a lot of discussions in the Senate about that, very specific discussions, and it is underfunded a couple years later, a year and a half later.

How is this going to be corrected? If it is not, what are we to take away from that experience? Very specific commitments are made in the discussion about ratification, and a very short time later, they are not kept. That does not even account for sequestration.

Secretary HAGEL. I am going to ask the Comptroller to talk specifically about the numbers.

But let me address it this way. The President is committed to carrying out the law. I am committed to carrying out the law and the commitments that the President made with the new treaty, as I noted here in an earlier conversation. The safety, security, reliability of our stockpile, the funds required to do that, the commitment to triad, some of the discussion we have had this morning are all part of that. We will do that and we will continue to do that.

Now, your question about the \$300 million. Let me ask the Comptroller to address it because there are some savings that we realized in some other areas as well.

Mr. HALE. I am going to need to get with your staff and get more information on the \$300 million.

Senator VITTER. We can follow up with that.

[The information referred to follows:]

Please refer to my letter to you, signed on May 1, 2013. [Inserted previously]

Senator VITTER. But my concern is a pretty simple one. Again, a lot of discussions about this related to the ratification of the treaty. Then the treaty gets ratified. Then the funding commitments are not kept a very short time later. It has nothing to do with sequestration because the budget does not account for sequestration. So the lesson I would draw from it is do not believe anything you hear when an administration, maybe any administration, wants a confirmation because it evaporates 3 months after the ratification happens.

Mr. Secretary, you have suggested a new BRAC, and I think you have suggested an upfront cost of \$2.4 billion. I would suggest that Congress broadly does not have a big appetite for anything with a

significant MILCON upfront cost. But I am also concerned that that \$2.4 billion just seems on a different planet from the last BRAC where GAO has said the first 5-year cost was \$35 billion. So how do you jibe all that?

Secretary HAGEL. There will be no BRAC without the authorization of Congress, as we know.

I am going to ask the Comptroller to deal with the specific number because we talked about it earlier this morning.

But I will respond this way, as I have already done. When you look at the infrastructure required, as we are bringing down our troops, reducing 100,000, we are unwinding from two wars, reducing responsibilities, commitments around the world, a different kind of a structure that we are dealing with now, funding now, preparing our forces for, that is also going to require less inventory and infrastructure. We are doing that in Europe now. We are going to continue to do that in Europe and around the world.

It is my thought, and I think the President's thought, that we need to look at our infrastructure here. Do we have excess capacity? The GAO report and the 2005 study showed that we did have about 25 percent excess capacity.

Now, as I said in my statement, it is going to come at some upfront costs, of course. But let me stop there because the 2005 BRAC versus what we are talking about in 2015 is different in certain ways which do account, I think, for the numbers that you asked about.

Chairman LEVIN. I wonder, Senator Vitter, because we have asked for that detail for the record, whether that might be satisfactory in terms of the time.

Senator VITTER. Okay, that is fine. Thank you, Mr. Chairman.

Chairman LEVIN. Would that be all right? Thank you, Senator Vitter.

[The information referred to follows:]

Please refer to my letter to you, signed on May 1, 2013. [Inserted previously]

Mr. HALE. Mr. Chairman, may I at least just reiterate we are not going to do 2015 the way we did 2005. It will be much more focused on closing and therefore the costs will be lower and the savings quicker. We are getting \$12 billion a year from BRAC. We cannot afford, in my view, not to do this because at some point 4 or 5 years from now, we will be having this same conversation and we need those savings.

Chairman LEVIN. Senator Vitter, they have committed to provide for us for the record that \$12 billion figure, what the basis of it is. Earlier they said it was from all the BRAC rounds not just from the last one. But we still are demanding that we see the data that supports that allegation.

Senator VITTER. It seems to me upfront MILCON costs are not adequately weighted into that the way I think they should be, given the fiscal situation and Congress' lack of appetite for upfront MILCON costs.

Chairman LEVIN. Thank you.

Senator INHOFE. Let me just comment. You were not here when I asked my questions, and that was my concern too. Of course, we will look and see. We have not seen a product yet, so we do not

know what we are talking about. I suspect, though, it is going to be very similar to what we faced in 2005, and I know that they all said at that time, no, this is not going to happen this time. But it did and the costs were far greater than they anticipated prior to the 2005 round.

Chairman LEVIN. Thank you.

Senator Donnelly.

Senator DONNELLY. Thank you, Mr. Chairman.

I want to thank the witnesses for being here.

Before I ask you a question, I just want to mention that in half an hour at Arlington National Cemetery, Lieutenant Colonel Don Faith is going to be interred. He was killed in Korea in 1950. He finally came home after 50-plus years in Korea from Washington, Indiana. He served under General Matt Ridgway, was at the Chosin Reservoir when they were overwhelmed by Chinese forces. His superior was killed, and he personally led the breakout of the troops. He was killed there, never came home. Over 50-plus years later, he finally came home. They did DNA testing. They finally figured out who the lieutenant colonel was. In half an hour, his daughter and the men he served with—he is at Arlington right now, a Congressional Medal of Honor winner. I just wanted to mention his name and keep him in your prayers and thoughts. He is an American hero.

Chairman LEVIN. Thank you for mentioning that, Senator.

Senator DONNELLY. This would be to Secretary Hagel. The Indiana National Guard—we were just off-ramped—a number of them. It affected over 1,000 of our National Guard members. We had 570 members who were going to the Horn of Africa this month, and 446 members were going to Egypt in June. They are the only ones this has happened to. These two units, less than 6 weeks from being deployed, were off-ramped and they were off-ramped and replaced by Active component forces.

We are willing to take our share of the hit as we move forward on sequestration and on all of these issues. But over 1,000 of these families will lose TRICARE in 4 days. 142 soldiers that reenlisted for these deployments and they were given a reenlistment bonus, are being terminated and then being asked to reenlist without any bonus. 60 of these soldiers left their civilian employment and have lost their jobs. Others have had their employers already hire somebody else. They have gone back and their employer said we want to take care of our soldiers, but what do we do.

This has been extraordinarily damaging to the families and to our soldiers. So, as I said, we are willing to step up and take our hit. We always have been. But there are only two minimal requests that the Indiana National Guard has made to me, and that is just that the units have 180 days of TRICARE. Number two is that the people who were promised a bonus get their bonus. The cost of that is less \$1 million. This is simply a matter of keeping our word. Our people, as we have always said, are central to everything we do. They were prepared for the mission, ready to go on the mission, got bumped on the mission for Active-Duty Forces. All we are asking—many of them have lost their jobs. Many of them are losing their health care, and so all we are asking is those minimal things, that we be able to do that.

Secretary HAGEL. Senator, thank you.

Let me ask the Chairman of the Joint Chiefs to respond to the entire framework of issues that you noted, the off-ramping of the Guard. I am generally aware of all those activities, but specifically about your request.

Senator DONNELLY. In particular, these folks were 6 weeks out and had, in effect, basically done the packing, getting ready, canceling leases, getting the family squared away. These are just two minimal things that they had asked me to talk to you—that the soldiers had asked me to talk to you about and to the General.

Secretary HAGEL. I do not know what our policies and procedures are about these specific issues. I will find out.

[The information referred to follows:]

Please refer to my letter to you, signed on May 1, 2013. [Inserted previously]

Secretary HAGEL. Let me ask the Chairman to respond here quickly to your bigger point. But I will look at your last request, and if the Comptroller wants to add anything to this, we would welcome him. But we will look at it and we will be back to you on it.

General DEMPSEY. As you say, Senator, these off-ramp decisions are really challenging, Active and Guard, and of course, the *Truman*. Some people suggested that we off-ramped the *Truman* to make a political statement. I assure you I would not do that to 5,000 sailors who had the same issues. Families have gone home to live with their parents, terminated leases, sold cars, stopped education courses, and of course, this issue on the off-ramping of the Indiana Guard.

So you have our commitment that when we off-ramp either because of sequestration—the other reason we are beginning to off-ramp some units is, of course, the glide slope in Afghanistan. We will always have the human dimension of this first and foremost.

We will go back and work on trying to meet your specific request.

Senator DONNELLY. Because I think after these decisions were made, they then said, “we are not going to do it to any groups less than 120 days before.” These folks, in effect, were the ones who were caught in the middle, that were 6 weeks out. So if you could take a look at that, we would be extraordinarily appreciative of it.

General Dempsey, in Afghanistan, as we draw down, I am sure you have plans and metrics in place as we are going through this year as well. I wanted to see how we are doing on that, if we are on target, on schedule, and if the transition is moving the way that has been planned.

General DEMPSEY. It is, and we have what we are calling Milestone 2013 coming up later in the spring/early summer where Afghan National Security Forces (ANSF) will be in the lead across the country. What that gives us, Senator, is two fighting seasons now to allow them to demonstrate their capabilities while in the lead and us in support. So we will continue to know more and more. We are accelerating enablers. We are talking about how long should we keep the ANSF at 352,000. All of those are factoring into what we will recommend for our enduring presence. The enduring presence number is not in isolation. It is glide slope. It is ANSF capability, how long we keep them at 352,000, how successful are

we at providing enablers and these two fighting seasons of experience. So I think we are in a pretty good place right now.

Senator DONNELLY. Thank you very much.

Chairman LEVIN. Thank you very much, Senator Donnelly.

Senator Lee.

Senator LEE. Thank you, Mr. Chairman.

Thanks to each of you for your service to our country, for all you do to keep us safe. It is deeply appreciated by me, my colleagues, and my constituents back at home.

My first question goes both to Secretary Hagel and to General Dempsey. The former Chairman of the Joint Chiefs of Staff, Admiral Mullen, made a statement in 2011 that people on both sides of the aisle and across America have quoted many times since then, and I would like to repeat it because it is something that I think needs to be repeated often. He said, "I have said many times that I believe the single biggest threat to our national security is our debt. So I also believe we have every responsibility to help eliminate that threat."

Do you both agree with that statement today when our national debt is significantly larger than it was in 2007 through 2011?

Secretary HAGEL. I agree with it, yes.

Senator LEE. You do.

Secretary HAGEL. I do, yes.

General DEMPSEY. Yes, I have always pointed out—by the way, I cannot tell you how many times that quote has been read to me. So thanks for reminding me again.

But, look, economics, our fiscal situation, the deficit, the budget are all threats to our security. There are a lot of physical, seen and unseen, threats out there that perhaps are different even from when Admiral Mullen made that comment. So I do align myself with the economic piece of it. But there are just groups out there that also threaten us.

Senator LEE. So you would not necessarily say it is the single biggest threat.

General DEMPSEY. No.

Senator LEE. Okay, thank you.

It is important for us, I think, to remember the President's budget, despite proposing pretty significant tax increases, would still contemplate adding about \$2.5 trillion to the total debt held by the public by the time he leaves office in 2017. Then by 2021, our payments, just our interest payments, on our debt will be larger than our defense outlays.

So it is for this reason that several weeks ago during the Senate budget debates, I put forward an amendment that would prohibit us from getting into a position where we are spending, or contemplating spending, more money on interest on our debt than we are on defense. I was happy that we got bipartisan support for that, at least narrow bipartisan support. I think we had all Republicans voting for it and one Democrat.

But the budget that is in the best interest of our national security is one that balances, one that gets to a balance and is able to turn off the sequester by focusing not just on cutting disproportionately out of our defense spending, but on spending as a whole.

To that end and consistent with following up on something Senator Vitter was asking, if the sequester is not turned off—the sequester or some would say that there are spending caps moving forward in the future years covered by the BCA—will we continue to see budgets that ignore these provisions, that ignore the sequestration provisions? Can we expect budgets like that to continue to be sent to Congress that do not reflect the law, that is, the BCA of 2011? Secretary HAGEL?

Secretary HAGEL. The fiscal year 2015 budget that we will present early next year will reflect the reality of whatever the situation is. I do not know if between now and next February if Congress and the President are able to come together with some deficit reduction plan—I know Congress has worked very hard on it, both parties. The President has. I know everyone was hopeful. But as you suggest, the law of the land is the law of the land, and that is reality. So that will be the budget that is presented.

Senator LEE. Okay, that is great. That is why we were surprised when it did not reflect it this time around, but I am happy to hear that it will reflect the law of the land next time around.

Mr. Secretary, you announced last month that 15 additional GBIs will be deployed to Alaska as a reaction to the provocations that we have had from North Korea. This brings the numbers of GBIs in Alaska to the number that was originally planned during the Bush administration, I believe, was later reduced by President Obama. I have a question for you about this.

Was the Russian Government consulted or informed that the United States was considering this decision before that decision was made, and if so, when did that occur?

Secretary HAGEL. The answer is, not to my knowledge. The Russian Government was not consulted in any way, and that decision, that policy, was not decided based on any consideration of the Russian Government.

Incidentally, I would just add that those GBIs also not only are in Fort Greeley, AK, but some are in Vandenberg, CA.

Senator LEE. Okay. But to your knowledge, they were not consulted. If DOD were to decide that additional missile defense systems were needed to be deployed for the protection of the United States, whether domestically or abroad, would the Russian Government be consulted or informed before that decision was made?

Secretary HAGEL. First, I cannot answer for the President. That would be a decision for the President to make. It would, I suspect, have to revolve around treaty obligations we have with the Russians and other issues like that.

Senator LEE. In March, the Russian Government requested that some meetings take place regularly to discuss plans with the European missile shield. Are there any plans for those talks to take place, and if there are plans for such talks, will these include any of our NATO allies as part of those discussions?

Secretary HAGEL. Again, Senator, I do not know about those talks. That would be in the purview of the Secretary of State and the White House. I have not been consulted on any talks or the possibility of what you are talking about.

Senator LEE. Okay. You are not certain of whether there have been those talks, but to your knowledge, there have not.

Secretary HAGEL. To answer your question, I do not know of any conversations about what you suggested about resuming talks on the basis that you laid out.

Senator LEE. Okay. I see my time is expired. Thank you very much, and thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator Lee.

Senator HIRONO.

Senator HIRONO. Thank you, Mr. Chairman, and welcome to Secretary Hagel and General Dempsey and Secretary Hale. Thank you for your service, and of course, we thank the men and women of the armed services and their families for their service and sacrifice.

I would like to commend you and acknowledge the work that you are doing to stop sexual assault in our Services because it has been the subject of a separate hearing of a subcommittee of this committee. Secretary Hagel, thank you for your quick action in changing the UCMJ regarding the convening authority's right to overturn decisions—overturn verdicts, and I expect to continue to work with you and General Dempsey on these issues.

I also would like to thank you, Secretary Hagel, for your commitment to a continuing collaboration with the VA and Secretary Shinseki to create a seamless transition for the men and women who are transitioning from Active Duty to civilian life. There are major issues regarding all of that.

My colleague, Senator Mark Udall, asked you some questions, Secretary Hagel, about the energy use of DOD. Of course, given the unstable fuel costs and the rising fuel costs and the impact of fuel costs on budget estimates, as well as the overall fiscal environment, I believe that controlling energy costs across the board, now and in the future, is an important goal for DOD.

The operational energy implementation plan identified incorporating energy security concerns into the requirements and acquisitions process as one of the targets for DOD to implement. I wanted to get your views on the importance of those goals and how we are doing in making sure that energy use criteria and factors are considered in acquisition planning processes.

Secretary HAGEL. Thank you, Senator.

As I noted in my response to Senator Udall, for me, for our leadership at DOD, our energy use, our energy sources, our cost of energy are and must be a high priority. That is R&D. It is not just the budget, but it is the security and reliability of our sources of energy. So we continue to put a high priority on those programs. We continue to invest in those programs. As you noted—it has been much of the conversation this morning—we have less money and it appears we are going to have even less money. So we have to balance the resources we have with the responsibilities we have.

But that all said, we are committed—I am committed to continue to follow through on the energy programs that we have in existence that continue to find more reliable, cheaper forms of energy.

Senator HIRONO. I think that to reiterate, those kinds of energy security concerns should be very much part and parcel of how you analyze various priorities, going to equipment needs, all of those concerns. It should be an across-the-board part of our consideration as we meet our fiscal challenges.

Secretary HAGEL. Yes.

Senator HIRONO. I wanted to turn to, General Dempsey, the military-to-military relationships that we have, and we have been working to engage China in these exchanges, and you are going to China soon. Would you expect that the issue of our rebalance to the Pacific to be a matter of some concern to the Chinese? Do you expect this to become part of the conversation that you have when you are in China?

General DEMPSEY. I do, Senator. I have had some telephonic contact with my new Chinese counterpart, and he has indicated that he is eager to get my views and understand better our intentions, and I am prepared to have that conversation.

Senator HIRONO. At the same time, to make sure that one of our intentions is to strengthen our communication and relationships with them, because as some of my colleagues have said, China is a very big part of the activities and actions of North Korea, and any stronger relationship we can have with the Chinese would be, I think, a goal to be sought.

General DEMPSEY. Yes. I am committed to that. I am committed to strengthening our relationship with China.

Senator HIRONO. Thank you.

Regarding recruiting, I know that we are drawing down our numbers in our Service. But at the same time, with all the news about the challenges facing our military, DOD, the cuts, the furloughs, all of that, Secretary Hagel and also General Dempsey, have you already seen an impact of all of this kind of news on recruitment now and in the future?

Secretary HAGEL. I am going to ask the Chairman to respond to that. But as far as I can see and know, I do not think it has yet impacted that recruitment, but the Chairman is closer to it than I am.

General DEMPSEY. The answer is that we are having no difficulties right now, either recruiting or retaining high-quality, very high-quality individuals.

But here is a prediction, Senator. If sequestration affects readiness and young men who come in to be pilots are sitting not flying or they come in to be seamen, sailors, and they are sitting at dockside and not steaming and they come into the training on tanks and they are parked in the motor pool, then we will have a retention problem. I actually have that T-shirt. We have done this before, and we did not do it correctly and shame on us if we do it again.

Mr. HALE. I would just add. I worry about our civilian workforce. I do not know—three pay freezes, furlough potential—I am not sure why anybody would want to work for us right now, frankly. We need to do better. I think there are no problems I know of with 7.8 percent unemployment. But as the economy recovers, I think we have every reason to worry about the ability to recruit good civilians.

Senator HIRONO. Thank you for raising that point because, of course, we have some 18,000 civilians in Hawaii who are working for DOD and very concerned about potential furloughs and other changes.

Thank you.

Chairman LEVIN. Thank you, Senator Hirono.

Senator Cruz.

Senator CRUZ. Thank you, Mr. Chairman.

Secretary Hagel, General Dempsey, Under Secretary Hale, I want to thank you for being here. Thank you for your testimony this morning. I want to thank all three of you for your service to this Nation.

As recent events have powerfully underscored, these are perilous times, whether we are speaking of the horrific terror attack in Boston this week or the escalating situation in North Korea. Your service is greatly appreciated, and I thank all three of you for serving on the front lines and protecting America.

The questions I would like to ask focus on two areas: number one, financial planning going forward at DOD; and number two, missile defense and our ability to defend the Homeland.

I want to start with there has been much discussion today about sequestration—that the current budget does not reflect the cuts in sequestration, but I understand that DOD will, hopefully in the month of May, submit a plan to comply with those cuts. That presents both short-term challenges and long-term challenges.

In addition, the budget contemplates a renewed BRAC commission process going forward.

I would suggest in the process both of assessing sequestration in the short-term and long-term and in the BRAC process that a significant component of DOD's assessment should include consideration of the degree to which we can reduce our footprint overseas, reduce our bases overseas, reduce our manpower overseas, consistent with the central imperative of protecting our national security.

So the first question I wanted to ask Secretary Hagel is: to what extent is DOD currently assessing, in complying with these financial pressures, our ability to draw down our overseas footprint, reduce bases? I would suggest it is preferable to reduce bases overseas than here at home, if it can be done consistent with national security. To what extent is DOD engaged right now in that assessment and analysis?

Secretary HAGEL. Thank you, Senator.

Let me also clarify a point you made so there is no misunderstanding. I do not want an expectation that may be inaccurate. I did not say we are going to present a plan by the end of May to the committee on how we are going to deal with sequestration. What I said was the Strategic Choices and Management Review that I asked for was going to come back to me by the end of May, which then we will start making some assessments and decisions based on that, which obviously will affect complying with the law of the land, if we have to. I just want to make sure——

Senator CRUZ. If I may follow up then. Do you have right now an intention for a timetable of when DOD would get back to the committee on its intention and plan for complying with——

Secretary HAGEL. This is evolving, and I have to look at the review that the Deputy Secretary of Defense and the Chairman of the Joint Chiefs are leading, and then we will proceed on that basis. But I do not want an expectation here that is not correct.

As to your questions about overseas and overhead and manpower and the other observations you made about how we are assessing

what we have to do to comply with these new realities, yes is the first. We have been consolidating and closing facilities overseas for the last few years. We will have a study complete by the end of this year specifically on additional recommendations on closing facilities and consolidating overseas. So, yes, that has been ongoing.

At the same time, I think, the President thinks, and the leadership of DOD, that we need to also take a look at our infrastructure in this country as well.

Mr. HALE. Can I just add a couple facts that might be helpful?

We have transferred more than 100 sites back to our allies since 2003. There are about 30 more scheduled over the next several years, in addition to any identified by this consolidation. So we have been aggressively looking at overseas infrastructure.

Senator CRUZ. Thank you very much.

General Dempsey, I would like to get your thoughts, in particular, about North Korea, both about how grave a threat the current North Korean situation poses and what is our capacity right now with missile defense to intercept and defend against a hostile launch from North Korea?

General DEMPSEY. Yes, Senator. There has been some discussion in the Intelligence Community about whether they have been able to weaponize, but as you might expect, as the Chairman of the Joint Chiefs, we will react to what we think could be the worst case scenario. So we have postured ourselves to be capable of intercepting and destroying any ballistic missile that would be launched at our facilities or our personnel, and we are postured to do that.

Senator CRUZ. I would note that the President's budget, while not accounting for sequestration, nonetheless cuts \$500 million from missile defense. In my judgment, particularly given the threats we are seeing from North Korea, the potential threat we have from the Nation of Iran, reducing our commitment to missile defense at this point seems ill-advised. Indeed, our current posture on missile defense is at a minimum of 2 months in that we are right now deploying a Terminal High Altitude Area Defense system to Guam and at the same time reinstating GBIs that have been canceled in Alaska, both of which, I think, are reasonable and positive responses to the threat we are seeing. Yet, that seems inconsistent with reducing funding for missile defense, and it seems in many ways driven by our enemies rather than a comprehensive, strategic plan for missile defense. I would welcome the thoughts of either Secretary Hagel or General Dempsey on that issue.

Secretary HAGEL. I think the budget reflects the priorities of our missile defense programs and plans. Missile defense is an essential component of securing this country, the interests of this country. I certainly would never sign off on any budget that would lessen that ability to fulfill that commitment to this country. I think I can speak for the Chairman and every leader inside the Pentagon. So it is my sense that it does comply with our requirements.

I will ask the Chairman if he would like to add anything.

General DEMPSEY. I think in the interest of time, Senator, I would be happy to have someone give you a lay-down of the way ahead, what we have done this year, why, and where we think this is all going.

I would also say, ballistic missile defense is an important investment. It can get to be extraordinarily expensive. So one of the things we have to do is balance defense and offense. I often use the phrase that at some point you have to stop worrying about the arrow and start worrying about the archer. I would suggest to our potential adversaries that we have not forgotten that we also have capabilities to deal with the archer.

Senator CRUZ. Thank you, General. I look forward to that ongoing discussion. I thank all three of you for being here.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator Cruz.

Just relative to the facilities overseas that are being closed, we do have rules as to the reimbursement to us for the improvements which we have made in overseas facilities. We just issued a report yesterday, a committee report, which we hope you will take up, showing the failure of DOD to achieve that reimbursement in the way in which it is supposed to be made. It has been going on too long. Part of it is a failure of oversight, but mainly it is a failure of DOD to enforce our rules relative to reimbursement by our allies for the improvements which we have made in those facilities which we are turning back to them. So that was a report which was released yesterday. It is, I know, on your desks, and we would look forward to your response.

Senator INHOFE. Just one comment about the overseas facilities. All of us know, in western Europe we had quite a few of them there. One of the problems that came up is because of some of their environmental controls over there, they are restricting in Germany, for example, our ability to use a live range to so many hours a day and so many days a week. Finally, we had to go in and say if we cannot train, we are going to leave, and that got their attention. So I think that we need to use the tools that we have to most efficiently train our people as we are supposed to be doing over there.

Chairman LEVIN. Thank you, Senator Inhofe.

Senator KAINE.

Senator KAINE. Welcome to all of you. Thank you for the testimony this morning.

I am just going to jump right to it. I would like to say a word about sequester, a word about BRAC, and then a comment about Syria.

A lot of discussion about sequester. I agree with what Senator Sessions said earlier. It was a horrible idea. I do have the alibi of not having been around when it was put in place. So that makes me very free to criticize, and we never should have allowed it to happen. To make a sixth of the budget, defense, take 50 percent of the cuts, that was foolish. To make one-eighth of the budget non-defense discretionary take 50 percent of the cuts, that was foolish.

It is important to acknowledge there was an alternative. We had an alternative in this body that had 53 votes. That is the majority of the body that wanted to turn off sequester and do it a different way. That is sufficient votes to pass unless filibuster is invoked by the minority. In this instance, in late February filibuster was invoked by the minority and we needed more than 50 votes. But that is not an automatic. There was a sufficient vote in this body to turn

off the sequester that is having, in my view, a very significant and negative effect.

Especially, Secretary Hagel, I do think Senator McCain's suggestion was an extremely helpful one. If there is to be any chance of this Congress, this Senate considering an alternative to sequester—and the sooner, the better—the more people have an understanding about the good faith, most considered judgment of DOD about what is going to be cut if we have to knock that extra \$52 billion off, the more specifics we have about that, the more we look and say, boy, we do not want that to happen. We better come up with an alternative. In the absence of an alternative that is so specific and granular and clear, it does not put any pressure on us at this point really to come up with an alternative. So I would just say that I viewed Senator McCain's suggestion as actually a helpful one.

On BRAC, I worry about the *sturm und drang* of BRAC. So when the testimony this morning said we have done five BRAC rounds and we have saved \$12.5 billion annually—and I look forward to the accounting of that. When BRAC is announced, what happens is that every community that has military assets, whether they are ultimately going to be on the chopping block or not—they lawyer up. They accountant up. They public relations up. There is an economic effect in the community of anxiety and uncertainty that can have its own economic effects. If we are going to do all that to produce—if it has been \$12.5 billion for five BRAC rounds, if we are going to do all that to produce \$2.5 billion of savings, I really wonder if it is worth the trouble. It is important to lay out potential cuts to deal with these budgetary realities, and so just two examples.

As Governor, I had an \$80 billion budget and in 4 years—you just get one term in Virginia—I cut \$5 billion out of the budget. I did not convene a commission to do it. I sat with a bunch of budget folks and I made very specific reduction proposals, and I gave them to my legislature. They all, Democratic and Republican, as soon as they saw every one—and this was successive rounds—they said I was a heartless dope for everything I proposed. Then after they spent a bunch of time going through everything I proposed, they ended up approving 90 percent of what I proposed. That was a regular order process. By doing it that way, I did not make every last person or every last community in Virginia by announcing the BRAC round or something like that think uh-oh, we have to lawyer up and lobby.

So the one thing I would just encourage to you and encourage to my committee members—and I know Senator Inhofe had some concerns about the 2005 BRAC—is whether that is—we are dealing with the need to make some challenges. But whether a BRAC round really is the best way to reduce costs, when you add in the anxiety it creates, and you add in the economic effect of that and all the external transaction costs that it generates, is a BRAC approach the best way to reduce costs?

After the last BRAC round, your predecessor—one of your predecessors, Secretary Hagel, Secretary Gates, reached a conclusion that a particular mission in Virginia, Joint Forces Command (JFCOM) was probably not the best expenditure of money. That

was, as I understand it, a joint effort that might have been inspired by an earlier Secretary of Defense. I think Secretary Gates said, hey, if the Joint Chiefs of Staff have offices near each other inside the Pentagon anyway, why do we need a separate JFCOM in Norfolk. He did not do a BRAC. He just said, I am not sure we need this, and he put on the table, let us get rid of JFCOM.

The local community and the congressional delegation came forward and said we think this is a bad idea, and they laid out a case. They reached an accommodation where essentially the JFCOM structure was removed, but some of the military missions that were being provided in Hampton Roads continued to be provided and there was compromise. That was done not in a BRAC process but with DOD laying down, we think we should get rid of this, and then Members of Congress saying we think you are wrong, and then a compromise being reached.

I would just recommend that as a potential way of thinking about it as an alternative to BRAC because BRAC will produce a whole lot of *sturm und drang*, and if it is going to do that and it is going to produce a \$2.5 billion savings which, by my quick math, is—\$2.5 billion out of \$585 billion is about 0.6 of 1 percent of a savings, and that is what it is going to produce. I am not sure that the BRAC process and all the drama associated with it is worthwhile. So I would just commend you to ponder that.

The last thing. I just want to say a word, Mr. Chairman, with your permission, about Syria. There will be additional discussion of Syria this afternoon. But there is a competing Senate Armed Service Committee hearing on the personnel aspects of the NDAA proposal, and I am on the Personnel Subcommittee and I think I am going to do that.

I am also on the Senate Foreign Relations Committee. We are spending a lot of time talking about Syria. I have some sympathy with Senator McCain and others who said we need to explore the recommendation potentially to go from non-lethal to lethal assistance and what would be the conditions. My concern about Syria right now is this, that it looks more and more sectarian, that Assad is an Alawite and with a military that is—about 70 percent of the military leadership is Alawite. It is becoming a death struggle for the Alawite community which is about a sixth of the population. If they believe that the only outcome of this is likely going to be whether they survive or whether they are purged as that community, then this will be a fight to death whether we offer lethal aid or not.

I know one of the factors that must weigh in very heavily on any decision about whether to provide aid is what is the character of the opposition. Can we trust them? Will the weapons end up in the wrong place? If the opposition can do things that will bring Alawites into the opposition and convince the Alawite minority that there is not going to be a purge against that ethnic group, that would also have the effect of diluting the jihadist elements of the opposition and would probably give us an opposition that we could have more trust in.

In your tiering, General Dempsey, of non-permissive, permissive, or collaborative—and there is another tier in there—hostile, non-permissive, permissive, collaborative. Efforts that we would under-

take to assure that the character of the opposition included members of the Alawite minority so that Alawites would not fear an ethnic purge in the aftermath of a conflict, that would make our decision easier. That would make the cost less. That would make the consequences less severe.

I would just put that on the table as part of the discussion of Syria. I am sure I have not said a single thing that you all have not thought five steps down the chessboard on, but for purposes of my committee members and others, I just wanted to state that.

General DEMPSEY. Thanks, Senator. We would be happy to have you put a chair right here and testify with us this afternoon. [Laughter.]

Secretary HAGEL. Senator, thank you.

I listened very carefully to all three of your main points, and you make a lot of sense. So we will take all of your points under advisement.

Mr. HALE. Can I briefly add on BRAC? There are specific laws that stop us from closing bases above a certain level. JFCOM fell just under those or through exceptions. I am not sure it would work, \$2 billion a year for 10 years is \$20 billion. It sounds interesting to me. I think we have to think about it.

Senator KAINE. I am not against the \$2 billion. I am just suggesting you might be able to find a way that will create less drama.

Chairman LEVIN. One of the things that Senator Kaine referred to has to do with the lawyering up and getting other kinds of consultants just by the mention of the possibility of BRAC, and I would urge our constituents not to start lawyering up and hiring consultants because it has a long way to go before Congress approves another BRAC round. I think the implied suggestion of Senator Kaine is wise.

Second, I hope you did not suggest, Mr. Secretary, that Congress, both the Senate and the House, and the President did not comply with the law in your budget request. The BCA made certain requirements in order to avoid sequestration. The President did it in his budget. He avoided it in a way which is very different from what the House did. The House avoided it in a very different way from what the Senate did. Hopefully now the House and the Senate will get together and adopt a joint budget.

But in any event, I hope that you did not mean to imply in any way that the three budgets that are now out there are not in compliance with the BCA and I hope you did not mean to imply that your budget—these 2013 budgets are not in compliance. They do it in different ways. One has greater focus on cuts. One has greater balance of cuts and revenues. One has a greater balance yet on additional revenues. But they are in compliance, are they not, all three of them?

Secretary HAGEL. Yes, and I did not mean to imply that. My point in bringing that up was in reference to somehow—at least I interpreted some implication that the President's budget was somehow out here in the ether. In fact, all three budgets were pretty closely aligned but not at all to imply that they were not complying with the law.

Chairman LEVIN. As I said before when Senator McCain made his comments, I agree with what Senator McCain said and what

Senator Kaine just said. I said it before: it will be helpful to us to avoid sequestration if you can get to us as quickly as you can the details, some of what the specific impacts would be if we do not avoid sequestration.

Secretary HAGEL. We intend to do that, as I said. But at the same time, we wanted to make sure whatever we come up here with we can defend and make sense. That is why I referenced the review, and until we get that review—and then go forward. I agree with that. I got it.

Chairman LEVIN. Senator Graham has shown up just in time—
Senator GRAHAM. I will be last and certainly least.

Secretary Hagel, I want to congratulate you and the administration for, I think, a responsible handling of North Korea.

Very quickly—you have probably beat this to death, but I think 2013 is going to be a major year for national security issues. General Dempsey, do you believe if we do not deal with the Iranian nuclear program between now and the end of the year, we are probably in trouble one way or the other?

General DEMPSEY. I have been disappointed about the progress, and I think that the urgency will only increase.

Senator GRAHAM. As I understand it, as we have been negotiating the P5+1, our intelligence tells us that the level of enriched uranium has gone up during the negotiations, not down. Do you agree with that?

General DEMPSEY. There has been a pattern of it going up and then transitioned into oxide to stay below what they think would be the threshold.

Senator GRAHAM. But the information I have received is that the amount of enriched uranium has actually increased over the last 6 months. I very much support sanctions and a diplomatic resolution to the Iranian problem.

Secretary Hagel, when it comes to Afghanistan, I think you are still making an evaluation. Is that correct?

Secretary HAGEL. When you say “evaluation”—

Senator GRAHAM. Post-2014.

Secretary HAGEL. That is right.

Senator GRAHAM. Do you agree with me that the Iranians are probably watching us on multiple fronts in terms of our resolve?

Secretary HAGEL. Yes, I do and I have said that publicly, not specifically about the Iranians, but we have a global audience.

Senator GRAHAM. That is why I am just so upset, for lack of a better word, that we would pick now of all times to basically gut our military.

Do you agree, General Dempsey, this is a time of great national security risk, that we live in pretty dangerous times?

General DEMPSEY. I do.

Senator GRAHAM. From a GDP point of view, we are on the low end of defense spending in time of conflict. Is that correct, Secretary Hagel?

Secretary HAGEL. We are, and General Dempsey and I were talking about this the other day, the ups and downs. But you are right.

Senator GRAHAM. It is not that we cannot reform DOD and reduce spending. We have \$489 billion and maybe there is some more

to do. But \$600 billion, I will agree with both of you, will make us a hollow force at the time we need it the most.

So I would just urge you, as you meet with the President—there is a lot of bipartisan support for the idea that it is unacceptable for the Iranians to get a nuclear capability. There is no good ending to a nuclear-armed Iran. Our friends in Israel, our Sunni Arab allies—it would just take the whole region and throw it into chaos. Do you agree with that assessment, General Dempsey?

General DEMPSEY. I do.

Senator GRAHAM. So we are at a critical time.

How would you evaluate the security situation in Iraq, Secretary Hagel, at this point?

Secretary HAGEL. In Iraq?

Senator GRAHAM. Yes, sir.

Secretary HAGEL. Obviously, that is a country still dealing with internal issues, and I think they are, unfortunately, playing out in some sectarian ways, al Qaeda. They still have difficult challenges.

Senator GRAHAM. It seems to me that al Qaeda in Iraq is on the rise and their political process is frozen.

When it comes back to Afghanistan, I know it is a frustrating country. I think the detainee agreement you have negotiated is a good one. I think it really resolves the issues in a good way for us.

So my question really is, is now the time, given all the things going on in the world, to really be engaged in sequestration?

Secretary HAGEL. Senator, I wish we were not. I am right with you on this. But as I have been constantly reminded all morning, it is the law of the land. So we have a responsibility to deal with that law and that reality.

Senator GRAHAM. The people who made this law, as Secretary Panetta said, a dumb law—I think we have the ability, if we choose, to replace it. It is not that I do not want to put us on a sound financial footing. I just do not want to destroy the military in the process.

So between now and the end of this year, we have to deal with Syria. We are going to talk about that in more detail. We have to deal with how we end the war in Afghanistan.

General Dempsey, what would winning look like in Afghanistan? Do you agree with General Dunford—his definition of winning?

General DEMPSEY. Yes, I do, Senator.

By the way, let me thank you personally for your help on the detention issue.

Senator GRAHAM. You all found a good resolution to a hard problem.

What would losing look like in your opinion in Afghanistan?

General DEMPSEY. I think that the inability of the central government to control its urban areas and arteries, as well, I think it would be a loss if we did not have a long-term relationship with them.

Senator GRAHAM. Is morale being affected by this uncertainty we have created in the budget process?

General DEMPSEY. Absolutely.

Senator GRAHAM. The Chairman of the Joint Chiefs of Staff has just told this committee—all of us care about the military—that we

are hurting morale by not having a better budget solution. I hope we will take that to heart. Thank you for your honesty.

Secretary HAGEL, what would you like to see Congress do this year, if you had a two- or three-item wish list, to help you confront the threats that we all face?

Secretary HAGEL. I would start with some certainty on dealing with sequestration on a budget. If we could get that, as we have said this morning and I think particularly the Chairman's comments—I noted it to some extent—it would give us, Senator, the time, the flexibility, to do what we need to do to adjust to the realities that we are adjusting to as we unwind from two wars and all the consequences that come with that. That would be my main priority.

Senator GRAHAM. I would end with this thought. There is an al Qaeda element on the Pakistan side of the border that we have been dealing with. Is that correct?

Secretary HAGEL. Yes.

Senator GRAHAM. The drone program has been pretty successful.

Secretary HAGEL. It has been, yes.

Senator GRAHAM. The infrastructure that we have in place to identify al Qaeda movements in Pakistan and Afghanistan and to neutralize their ability to hit us—I hope we do not dismantle that. As we wind down the war in Afghanistan, I hope we realize that this is the place we were attacked from, that al Qaeda still exists in that region, and that a stable, secure Afghanistan would be a tremendous win for us and our war on terror. I look forward to talking to both of you about troop levels, keeping the Afghan army at 352,000. I think this will be one of the most important decisions the President makes in his second term.

Thank you all for your service.

Secretary HAGEL. Thank you, Senator.

Chairman LEVIN. Thank you, Senator Graham.

Senator Blumenthal.

Senator BLUMENTHAL. Thank you, Mr. Chairman.

Thank you for being here and thank you for your service to our country.

I want to begin by following up one of the questions that was asked earlier concerning sexual assault. I understand that a report was under preparation, expected to be delivered at the end of March, regarding potential changes and recommendations. I know that you have answered a number of inquiries regarding sexual assault at this forum. But I wonder if you could tell us whether that report has been received and whether you can commit to providing it to us.

Secretary HAGEL. Thank you, Senator.

That request of the Office of General Counsel, as well as the Office of the Secretary of the Air Force, was given to me. One of the requests was to give me their thoughts on recommendations on how they believe Article 60 of the UCMJ should be amended. They did. I accepted those recommendations. We are now moving forward on working with our counsel to draft legislation that we would ask Congress to look at and propose changes to Article 60. We announced this about a week ago.

Senator BLUMENTHAL. Is that report available?

Secretary HAGEL. It is not exactly a report. They are recommendations, which I will go back to the General Counsel's Office and ask them.

Senator BLUMENTHAL. If you could provide them to us, I would appreciate it, Mr. Secretary. Thank you.

[The information referred to follows:]

The Department of Defense submitted to Congress a legislative proposal to amend Article 60 of the Uniform Code of Military Justice by limiting the authority of commanders to take action under Article 60 on the findings of courts-martial on May 7, 2013. The legislative proposal reflects the advice provided by the Secretary of the Air Force, the Joint Chiefs of Staff, and the Acting General Counsel of the Department of Defense (DOD). DOD looks forward to working with Congress as it considers this issue.

Senator BLUMENTHAL. I want to turn now to an area that I think is very important to our national security: our submarine building program. You and I have talked about it at various points, and I believe that the President's budget envisions continuing to build two submarines a year, both in this fiscal year and going forward in the next. I assume that you share his apparent view that submarines are more important than ever to our strategic security.

Secretary HAGEL. Yes, I do.

Senator BLUMENTHAL. On another issue that has not really been covered, is the Joint Strike Fighter (JSF), I wonder if you could bring us up to date as to your views regarding what I view as an essential platform for our air superiority.

Secretary HAGEL. You know the background and the problems and the issues. So I will not traverse that territory.

I met with the director of the F-35 program 2 weeks ago and asked for a report. He spent a couple of hours with me.

It is my assessment that we are making progress. We are getting to where we need to be; we are not there yet. Our partners, our other allies, who went in with us on joining us in procurement of copies of the F-35, are essentially hanging with us on this. They have delayed—most of the countries—on their orders. But the program is moving forward. I think it should. We put a lot of money in it. It is the largest acquisition program we have ever had, but I do think overall it is the answer for our Services.

Senator BLUMENTHAL. I appreciate that.

General Dempsey.

General DEMPSEY. If I could just add, Senator. First of all, on submarines, they are truly our asymmetric advantage globally. No one—no one—comes anywhere near our capability beneath the sea, and I think we have to keep those asymmetric advantages prominent.

On the JSF, I happened to meet the Marine Corps lieutenant colonel who is running the operational squadron of the B variant down in Eglin. I was open-minded to hear whether he thought it was good or bad. I am a ground-pounder. So I did not have any predisposed notions. But I am telling you he convinced me.

I will say this: we have not been attacked from the air since April 15, 1953. I am not going to be the Chairman on whose watch that is reversed. So I am an advocate.

Senator BLUMENTHAL. I deeply appreciate both of your views on both submarines and the JSF because I strongly share the commitment to those programs not only because they are stealthy, strong,

and asymmetric, but also extraordinarily versatile, speaking about the submarines, and of course, the JSF is, in my view, the linchpin to our air superiority in defending against the kind of aggression that you have just alluded to many years ago. So I thank you both for those answers.

Mr. Secretary, one of the reasons that I was so proud to support you and so grateful that you have been confirmed is your commitment to the well-being of our troops. On health issues and health care, on their well-being while they are in service, but also I think you share my view that more needs to be done to enable and prepare them for lives after their service, particularly concerning employment and skill training. I know that the minute-plus that I have left here will be absolutely inadequate for an answer on this score from you and General Dempsey, but perhaps you can just give us your view as to how we are doing and where we should go in terms of preparing the men and women, particularly many of them who are going to leave the Services in the very near future for civilian life.

Secretary HAGEL. Thank you. I will ask General Dempsey for his comments as well.

First, I share absolutely your comments for the reasons you noted. These are young men and women who come forward and serve our country unselfishly with tremendous sacrifices that, in most cases, they make with their families.

We do have some responsibility here. We have programs now underway that we continue to fund to assist that transition. Can we do more? Yes. Can we coordinate that better? Yes. All the Services are in complete agreement on this. No one is more committed than the Joint Chiefs and the senior enlisted and General Dempsey, as I am. So you have my continued commitment on this issue.

Let me ask General Dempsey for his thoughts.

General DEMPSEY. Transition assistance programs are going well. They can continue to be improved upon. They are resourced in our budget submissions. We are working on credentialing across States. There are initiatives to allow welders in the Army and the Navy, Air Force, and Marine Corps to be welders elsewhere. Working on the spouses' side as well, working with, for example, career trackers so that right from the time a young man or woman comes in, they begin thinking about transitioning instead of waiting until the last 6 weeks. So I think we get it.

We also know that as we down-size the force, we are going to make the challenge a little more challenging. But we are ready for it.

Senator BLUMENTHAL. Thank you. Thank you all for your testimony here today, and thank you for your service.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you very much, Senator Blumenthal.

Senator King.

Senator KING. Secretary Hagel, welcome. Nice to see you.

One of the advantages of going last is that most of the other questions have already been asked, but I do have one. It is more in the nature of a request.

Yesterday in the Senate Select Committee on Intelligence, we had a briefing by Jim Clapper on the intelligence budget going for-

ward, and he produced a chart which basically showed—it started with fiscal year 2012 and then showed the effects of the first sequester and then the ongoing sequester, the President’s budget, and other things that have affected that budget. It was a very powerful chart. I would ask if you could check with him perhaps—it is chart number 11 in his presentation—and give us a similar visual breakdown of what your budget looks like, including as we now know, the sequester on an ongoing basis. If we do not do anything about it, what does it do?

I found this information yesterday to be very important because what it shows is real cuts, not cuts to growth, but real diminutions of the amount of funds available. I think it would be helpful to the committee to be able to see that data as it looks over the next 10 years, building in different slices. You look at the director’s chart and you will see what I am saying.

[The information referred to follows:]

Please refer to my letter to you, signed on April 29, 2013. [Inserted previously]

Secretary HAGEL. We will, Senator. Thank you.

Senator KING. Thank you.

Just one other quick comment on this whole sequester and budget issue. I am sure you know this as well as I do. One of the first things you have to do in a situation like this is defer maintenance, but deferring maintenance is not saving. It is just a cost that somebody is going to have to pay in the future. I am sure you agree.

Secretary HAGEL. We do agree.

General DEMPSEY. You actually end up paying more. As I said earlier, even in things like training, it costs less to sustain training than it does to restart it. The same thing with maintenance.

Senator KING. I do not know if you have had this question. I apologize for not being here the entire hearing. But my sense is that this budgetary uncertainty is hurting morale and retention and those kinds of intangible assets that are such an important part of our force structure and our troop readiness. Is that an accurate statement?

General DEMPSEY. It is absolutely true, Senator. I have a little formula that I carry around in my head that says today’s readiness challenges are tomorrow’s retention problems. That always proves true. If you allow readiness to erode, the young men and women who come in to serve and to be trained and ready will not stick around very long.

Senator KING. That is the essence of the deal is the personnel.

Final question. General Dempsey, you have been involved with two drawdowns; at the end of Vietnam and at the end of the Cold War. There was a significant drawdown. Share some lessons from those experiences that you think might be beneficial to us in this situation.

General DEMPSEY. Yes, thanks for asking, Senator, although I am not happy you reminded me about how long I have been serving. [Laughter.]

A couple of things. One is the drawdown produced hollowness in different ways each time. The first time, it was manpower hollowness. The second time, it was equipment hollowness. What we are seeing in this one is a readiness hollowing of the force. So although

we have learned lessons each time, it has been a little different challenge each time.

I think we have to be alert for what we are doing this time to readiness. We have incredible young men and women in uniform. So the personnel side of it is good. Our equipment has been recapitalized and reset over time. So equipment is adequate, although it is aging and we do not want to stop modernizing. But where we are really suffering now is in readiness. We are not training to the level we should be training because of sequestration and its mechanism.

The other factor, in terms of the three different drawdowns, is each time you start from a much lower start point. So I will take the Army as an example. A million men in uniform in Vietnam, down to 781,000 by the end of the 1970s. You start at 781,000 and you draw down in the 1990s to roughly 500,000. Today, we are starting at 490,000. We will be at 490,000 in the Army Active as a result of the BCA, 487,000. That is where you start from to absorb sequestration. So each time you start at a lower level. I think we have to remember that.

Senator KING. Thank you very much, General, and thank you all for your testimony.

Chairman LEVIN. Thank you very much, Senator King.

Just one quick reference on Senator Blumenthal's reference to Article 60. I believe that it is understood that what you are considering are generic changes in terms of the convening authority's power, not just relating to sexual assault. It is a generic change for all—

Secretary HAGEL. Major offenses.

Chairman LEVIN. For major offenses.

Secretary HAGEL. That is right.

Chairman LEVIN. Thank you. I think that is what we understood. I think Senator Inhofe has a quick last comment.

Senator INHOFE. Yes. Senator Lee came out and expressed a concern. I do not think you had time to fully develop it. That is, to what degree are we going to be influenced by Russia in our missile defense decisions that we make?

It goes back to the decision that this President made the first year that he was President to pull the rug out from under both Poland and the Czech Republic on the GBI. I can remember talking to Vaclav Klaus at that time, and he said, now we are going to go ahead and do this. It is going to really anger Russia, but can we be sure that you are not going to pull the rug out from under us. That is what I referred to, and he did in the first year. I will always think it was a result of his effort to get along with Russia.

Now, you answered his questions about not having that influence. I would call your attention to the—and I am sure, Mr. Secretary, that you have had communication with the defense minister, whose name I can never pronounce right, from Russia who said that he wanted to carry on conversations with you as national missile defense developed. So it implies that Senator Lee is pretty accurate in his concern over how much influence that will be over us.

Do you have any thoughts? Do you think you would be willing to talk about it now?

Secretary HAGEL. Yes. Thank you, Senator. A couple of thoughts in response.

First, on Poland and the announcement that we had made regarding the PAA. The Polish and Romanian Governments were very supportive of that announcement and what we are doing. I spoke, incidentally, to both the Polish Defense Minister and the Romanian Defense Minister about this.

Senator INHOFE. No, this all happened before you were on board, though.

Secretary HAGEL. No, I am talking about the latest announcement that we made during the ground-based—

Senator INHOFE. Okay. I was talking about 4 years ago, that decision that was made.

Secretary HAGEL. There is nothing I can say about that, but I can say again when Senator Lee asked me the question about this latest decision, which I announced that decision, the conversation I had with the Russian Defense Minister was after that decision was made, after that decision was announced. One of the things we did talk about was further missile defense issues, but we talked about a number of things. That was not the intent of the call. But it was after the announcement was made.

Senator INHOFE. Okay.

Chairman LEVIN. I am glad we are not afraid to talk to people and on a positive note.

We will reconvene in 30 minutes for the second session, which will resume at 2 p.m. Thank you.

This first session is now adjourned. Thank you.

[Questions for the record with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR BILL NELSON

DRUG INTERDICTION

1. Senator NELSON. General Dempsey, due to the sequester, Navy ship deployments to U.S. Southern Command (SOUTHCOM) have been cancelled. Additionally, the President's fiscal year 2014 budget request saw a drastic 38 percent reduction from his fiscal year 2013 request for drug interdiction efforts. Historically, SOUTHCOM drug interdiction results in the annual removal of 200 tons of cocaine from the U.S. supply—10 times the amount of what is removed by all domestic U.S. law enforcement. Can you share the short- and long-term effects of the sequester and the President's fiscal year 2014 budget request on the drug interdiction mission in the Caribbean?

General DEMPSEY. The U.S. Government has two primary counternarcotics missions in the Caribbean and Eastern Pacific narcotics transit zone, which lies between the Andean region source zone and the domestic arrival zones. These missions are the: (1) detection and monitoring of aerial and maritime transit of illegal drugs into the United States; and (2) interdiction and apprehension. 10 U.S.C., section 124, designates the Department of Defense (DOD) as the lead agency for detection and monitoring of aerial and maritime transit of illegal drugs into the United States in support of the counterdrug activities of Federal, State, local, and foreign law enforcement agencies. The U.S. Coast Guard under 14 U.S.C., section 89, has the lead for interdiction and apprehension. DOD assets have supported the U.S. Coast Guard in their mission.

Sequestration and budget reductions are coming at a time when a major Navy surface asset recapitalization effort is occurring. These events, coupled with other global activities requiring increased demands for support from DOD, are compounding the impacts on our ability to fully support these two counternarcotics missions. Though DOD will continue to execute its detection and monitoring mission, the overall support to the U.S. Coast Guard for interdiction efforts over the short- and mid-term (1 to 5 years) time horizon will be significantly curtailed, and could potentially undergo further reductions.

MAYPORT AND STRATEGIC DISPERSAL

2. Senator NELSON. Secretary Hagel, dispersing our capital ships is in our best national security interest and specifically, dispersing the east coast carrier fleet is a national security priority. The 2010 Quadrennial Defense Review (QDR) clearly states, “to mitigate the risk of a terrorist attack, accident, or natural disaster, the U.S. Navy will homeport an east coast carrier in Mayport, FL.” The Navy has stated military construction (MILCON) costs to prepare Mayport to homeport a carrier would be approximately \$500 million, while the Government Accountability Office (GAO) estimates the number to be \$250 to \$300 million. However, the Navy recently completed a Controlled Industrial Area at the Naval Shipyard in Portsmouth, VA, for \$33 million. Can you discuss how the Navy can provide such a drastically different quote for a similar facility?

Secretary HAGEL. When comparing facilities, it is important to note the one-time costs associated with the creation of a second CVN homeport at Mayport, FL, which was estimated at \$588 million, consisting of \$489 million of MILCON projects and \$99 million of other one-time costs including Initial Outfitting and Permanent Change of Station orders for rotating personnel. The \$489 includes \$46 million for dredging (contract awarded in fiscal year 2010); \$15 million for Massey Avenue Corridor Improvements (contract awarded in fiscal year 2012); \$30.9 million for Parking; \$42 million for Wharf F Improvements; \$150.4 million for a Controlled Industrial Facility; \$174.4 million for a Ship Maintenance Facility/Maintenance Support Facility, and \$30 for Planning and Design.

The cost estimates for the Mayport unprogrammed projects were developed for initial planning purposes. They were based on highly preliminary design information and included conservative assumptions to account for projected local and national market conditions, force protection standards, sustainable design requirements, and unique construction features, such as hurricane/storm-surge design considerations. Planning assumptions are reviewed multiple times as part of the MILCON programming process. Based on current market conditions, the Navy anticipates the cost will decrease during routine planning and design.

3. Senator NELSON. Secretary Hagel, will you ensure strategic dispersal is again added as an objective in the 2014 QDR?

Secretary HAGEL. The nature of the future strategic environment requires U.S. forces project power with global flexibility and agility to accomplish the Nation’s security objectives. A U.S. military force that is properly postured provides the credible combat power needed to protect the American interests, assure friends and allies, and deter potential adversaries.

The strategic dispersal of U.S. forces must also be fiscally informed and appropriately planned within a framework that considers risk, responsiveness, and Joint Force capability tradeoffs. To that end, I expect the degree to which U.S. forces are dispersed, both at home and abroad, will be reviewed during the upcoming QDR.

 QUESTIONS SUBMITTED BY SENATOR KAY R. HAGAN

SEXUAL ASSAULT

4. Senator HAGAN. Secretary Hagel, since being confirmed, you have made the recommendation of eliminating the discretion for a convening authority to change the findings of a court-martial, except for certain minor offenses. While I’m glad you are looking into the problem of sexual assault in the military—as you indicated you would during your confirmation process—I’d like to hear what you are doing on the front end of these attacks. In 2011, less than 8 percent of reported cases even went to trial. Considering that roughly 85 percent of sexual assaults go unreported, in order to make a dent in this problem, you have to address what occurs shortly after an attack. What are you doing to foster an environment where victims are comfortable reporting their assault and are confident in their leadership to adjudicate the matter fully?

Secretary HAGEL. I am committed to achieving an enduring culture change and hold leadership accountable to create an institution that makes victims feel safe and confident the DOD’s ability to properly adjudicate reporting of assaults. DOD has taken many steps to improve victim confidence, recognizing that increased victim confidence and reporting is a bridge to greater victim care and offender accountability. Our Sexual Assault Prevention and Response (SAPR) program has a focus on the victim as its foundation. We have created, resourced, and trained the entire force on the variety of reporting options that provide avenues for victims to seek support services that range from anonymous crisis intervention with the DOD Safe

Helpline to Restricted Reporting that provides case management and medical care to full Unrestricted Reporting, investigation, and support services. A victim can report an assault confidentially through a Restricted Report to a healthcare provider, Sexual Assault Response Coordinator (SARC) or victim advocate and receive services and healthcare without law enforcement or commander notification. A victim can also choose to report her/his offense to law enforcement through an Unrestricted Report. These recipients of reports provide the independent care and professional first responder treatment that can contribute to victim confidence in reporting and adjudication.

Other victim care initiatives have been completed and are available to victims to instill confidence.

- The DOD Safe Helpline provides victims 24/7 global access to crisis support staff and we have developed and fielded a Safe Helpline Mobile Application to advance victim support services.
- Victims may now request an expedited transfer.
- We have expanded SAPR Restricted Reporting support services to adult military dependents.
- We offer expanded SAPR services during emergency care for DOD civilians stationed abroad and DOD U.S. citizen contractors in combat areas.
- A victim-victim advocate privilege creating a new category of protected communications was enacted.
- As part of the revised DOD SAPR policy, we implemented new standards for medical care providers to support victim care and enhance investigations.
- Finally, DOD is sponsoring a legal assistance pilot program in the Air Force with 60 specially trained attorneys who are providing legal representation to victims of sexual assault. Under this program, legal assistance attorneys represent victims in a confidential, attorney-client relationship, throughout the investigation and prosecution processes. Initial reports are positive in the number of victims staying in the system and converting Restricted Reports to Unrestricted.

In addition, I recently directed the Secretaries of the Military Departments to assess, monitor, and develop methods to improve victim treatment by their peers, co-workers, and chains of command, and to report their methods to me by November 1, 2013.

5. Senator HAGAN. Secretary Hagel, how are you ensuring accountability at every level of command not only for preventing sexual assault, but also for properly handling sexual assault cases when they are brought forward?

Secretary HAGEL. I am committed to achieving an enduring culture change and hold leadership accountable to create an institution that not only works to prevent sexual assaults, but to make victims feel safe and confident the DOD's ability to properly adjudicate assaults when they occur. DOD currently has multiple tools in place to better ensure accountability.

First, DOD Inspector General (IG) reviews are a primary tool DOD uses to ensure accountability, integrity, and efficiency. To date, the DOD IG has conducted three separate reviews to assess different aspects of how the overall system responds to and handles sexual assault cases. In 2011, the DOD IG formed a new Violent Crime Division focused on evaluating and improving the quality of DOD's violent crime investigations, including sexual assault. They also review investigative training programs that form the foundation for sound investigative products. Through this unit, the DOD IG reviewed closed cases to ensure investigators performed thorough investigations and followed the best practice protocols.

Second, accountability is a point of emphasis within the SAPR Program, operating on several levels simultaneously. First, our leaders within the Military Services are responsible for program compliance and success. In September 2012, the Secretary of Defense directed the development of standardized core competencies, learning objectives, and training assessment methods for this training. The Services implemented these tools for all pre-command and senior enlisted training starting in April 2013.

To further enhance command accountability, the Service Chiefs, through the Secretaries of their respective Military Departments, are developing methods to assess the performance of military commanders in establishing command climates of dignity and respect, and incorporating SAPR prevention and victim care principles in their commands. These methods will be reported back to the Secretary by November 1, 2013.

Finally, the Department ensures accountability through the military justice process. In June 2012, the Secretary of Defense elevated initial disposition decisions to senior commanders (colonels or Navy captains) for cases of rape, sexual assault, forcible sodomy, and attempts to commit these crimes. This action allows a more experienced commander to make disposition decisions in these very serious and often complicated cases.

6. Senator HAGAN. Secretary Hagel, is the Uniform Code of Military Justice (UCMJ), in its present form, capable of dealing with the problem of sexual assault, or do we need to consider a more significant overhaul of the system?

Secretary HAGEL. There is no silver bullet to eliminate sexual assault. Congress and I recently appointed the members of the Response Systems Panel established pursuant to section 576 of the National Defense Authorization Act (NDAA) for Fiscal Year 2013. I welcome the Panel's review and scrutiny of the military justice system, and I am open to all improvements that may enhance reporting, investigating, and prosecuting sexual crimes and the military justice system as a whole. I support limiting a commander's authority to reverse findings of guilt from a court-martial. However, I urge against further piecemeal changes of the military justice system to avoid unintended consequences for the victim, the accused, and the integrity of the military justice system as a whole.

The military justice system was established as a separate system because of the worldwide deployment of military personnel, the need for a system that can be responsive to the unique nature of military life and the combat environment, and the need to maintain discipline in the force. The deployability of the administration of military justice system is paramount to ensuring a ready fighting force throughout the world.

Our commanders are trained in their responsibilities under the UCMJ from the day that they are commissioned and throughout their careers. Commanders have at their disposal Judge Advocates to provide advice and counsel. Judge Advocates are an integral part of the military justice system; they serve as command legal advisors, prosecutors, defense counsel, and military judges. Judge advocates are trained to analyze evidence to determine if there are sufficient facts to support allegations, and to make recommendations to commanders on disposition. A variety of procedural safeguards ensure commanders make evidence-based disposition decisions, particularly in regard to sexual assault allegations.

SYRIAN CHEMICAL WEAPONS

7. Senator HAGAN. General Dempsey, Syria has the largest stockpile of chemical weapons in the Middle East. During his trip to Israel in March, President Obama reiterated the U.S. position that the use of chemical weapons by the Assad regime would constitute a red line, presumably meaning the United States would intervene militarily, if necessary. Earlier this year, however, you stated that preventing Syria from using chemical weapons would be almost "unachievable." What is the United States doing to ensure that Syria's chemical weapons do not fall into the wrong hands and how quickly is the United States capable of responding once intelligence is received that a transfer is taking place?

General DEMPSEY. Given the complexity of the issue regarding the proliferation of Syria's chemical weapons, DOD is working closely with the Department of State, the Intelligence Community, other U.S. Government departments, and key international partners. As an example, through the Cooperative Threat Reduction (CTR) program, DOD personnel and our interagency partners are working with Syria's neighbors to help build their capabilities to counter the threat of proliferation from Syria's chemical weapons. With regard to our ability to respond, options are ready to respond to a broad spectrum of scenarios and if ordered to do so by the President we will act. Chemical weapons remain a very difficult target set because the Syrian regime moves them and because even their destruction carries risk.

8. Senator HAGAN. General Dempsey, President Obama said that the Assad regime "will be held accountable" for transferring chemical weapons to terrorists. Can you elaborate on what this means?

General DEMPSEY. Militarily this means we will provide the President with a full range of options for any contingency. DOD has plans in place and continues to engage in planning to respond to a broad spectrum of scenarios.

9. Senator HAGAN. General Dempsey, will the United States act to prevent other strategic weapons from being transferred from Syria to Hezbollah, including advanced missiles and anti-aircraft systems?

General DEMPSEY. We are concerned about the danger of sophisticated conventional weapons falling into the hands of extremist groups. The Department is continually reviewing our planning to make sure that we have appropriate options to respond to a variety of scenarios. We also work very closely with allies and partners in the region to prevent proliferation of these types of weapons.

BIOFUELS

10. Senator HAGAN. Secretary Hagel, last year, DOD released a funding opportunity announcement for the Defense Production Act Title III Advanced Drop-In Biofuel Production Project. In that announcement, DOD expected to award a Technology Investment Agreement (TIA) by March 1, 2013. What is the status of that TIA award and if it has not been awarded, when do you expect that decision?

Secretary HAGEL. I have authorized awards to three companies in California, Nebraska, and Illinois, totaling \$16 million in funding for the first phase of the interagency Advanced Drop-In Biofuels Production Project. The Government investment will be matched by \$17.4 million in private sector funding.

Phase I of the project involves validation of production technology, verification of technical maturity, site selection, plant design, permitting, and detailed cost estimation, all of which will require 12 to 15 months to complete. Following Phase I, interagency technical experts will evaluate the projects to determine which, if any, will move on to Phase II, which is for bio-refinery construction. If all Phase I projects successfully complete the second phase of this project, awardees project that this would represent more than 150 million gallons per year of drop-in, military-compatible fuels with initial production capacity by 2016 at an average cost of less than \$4 per gallon. Government funding up to \$130 million is currently programmed for Phase II coupled with matching private sector funding.

QUESTIONS SUBMITTED BY SENATOR JOE MANCHIN

ACTIVE DUTY SOLDIERS BUYING FIREARMS IN THEIR HOME STATES

11. Senator MANCHIN. Secretary Hagel and General Dempsey, my good friend Senator Pat Toomey and I have been working hard on this background check bill. We want to make sure that criminals and the dangerously mentally ill can't get a firearm. When we crafted this bill, we did everything we could to protect the dignity of our veterans, and gave them some much-needed protections in the Department of Veterans Affairs (VA) process. When we did our research, and when we talked to the National Rifle Association, we also found out that Active Duty troops cannot buy guns in their home State. They move around so much—they might not even have a chance to establish residency where they are based. So, we included that provision in our bill. Our bill allows Active Duty troops, and their spouses, to purchase firearms in their home State, as well as where they are based. This is just the right thing to do. What do you think about that provision in our bill? For reference, this bill is Amendment 725 to S. 649, Safe Communities, Safe Schools Act of 2013.

Secretary HAGEL. I support the administration's approach to comprehensive gun control and believe this issue should be addressed in the broader negotiations on gun control.

General DEMPSEY. I prefer not to make public comment on an important domestic political debate such as firearms legislation. I always appreciate any provision that would recognize the special circumstances of our servicemembers and their spouses, and would always ask that provisions be made in support of them. I thank you very much for both the consideration and support you have provided in this circumstance.

THE DRAFT IN CONTEXT

12. Senator MANCHIN. Secretary Hagel, when you and I were young, this country had a draft. There was something about a shared sacrifice that gave everybody a stake in our country's wars. Today, less than 1 percent of America serves in the military. I've had many West Virginians ask me if we should go back to the draft. I'm very interested in your perspective on that. If we don't go back to a draft, what can we do so that everyone shares in the sacrifices that go along with war?

Secretary HAGEL. There is no military necessity for a draft at this time. The 1 percent of American youth who volunteer meet the Department's needs for the foreseeable future, given our reduced force size.

Today's All-Volunteer Force reaches out to every person in every corner of the country. The military is more representative of society now than it was at any other time in history of the All-Volunteer Force. This goal was achieved by ensuring geographic diversity was a focus of recruiting strategies. To this point, there are over 6,500 recruiting-related facilities throughout all 50 States and the U.S. Territories seeking diverse, qualified talent that is necessary to meet the challenges of the 21st century. The Department benefits immensely from the different perspectives and linguistic and cultural skills of all Americans.

The last time the United States had to draft young Americans into Service, the military was nearly twice the size of the force today. A draft, given the current requirement for just over a quarter of a million new accessions each year, would be possibly forcing some young people into doing something they do not want to do and, at the same time, denying others who want to join the opportunity to serve. Even if a mass mobilization were required, the recall of active and inactive reservists would suffice for all but the most extraordinary of circumstances.

Since the creation of the All-Volunteer Force in 1974, the U.S. military has maintained the smartest, strongest, and most technically lethal military in the world. As tested by dual conflicts in Afghanistan and Iraq, the volunteers of America's Armed Forces sustained operations for over 12 years, keeping the Services at high readiness throughout this unprecedented period of military operations.

EXCESSIVE CONTRACTOR SALARIES

13. Senator MANCHIN. Secretary Hagel, U.S. taxpayers pay contractors as much as \$700,000 per year. Many times these contractors do the same jobs that our troops do, and as the Secretary of Defense, you make about \$200,000 a year. That's a lot less than \$700,000. I'm not spilling any secrets here—all this information is public. I truly believe that you are serious about reforming the DOD budget. Can you tell me—where is the common sense when contractors make so much more than our very own Secretary of Defense?

Secretary HAGEL. You are correct, Senator; I am committed to budget reform. By law, allowable contractor executive compensation costs are limited to a benchmark compensation amount determined annually by the Administrator of the Office of Federal Procurement Policy (OFPP). While the contractor personnel can be paid more than that amount by their employers, the costs cannot be passed on to the taxpayers through Government contracts. The NDAA for Fiscal Year 2012 extended the compensation cap on executive salaries to all contractor employees, with limited exceptions; this broader limitation is being incorporated into the Federal Acquisition Regulation through the rulemaking process. The NDAA for Fiscal Year 2013 directed the GAO to study the impact of tying the cap to either the President's or the Vice President's salary, rather than the OFPP benchmark. I understand that the GAO study is almost complete and that should inform the discussion on compensation.

In addition to the statutory cap on compensation, there are longstanding limitations on the allowability of compensation costs. Employee compensation costs will not be reimbursed by the Government unless the costs are determined to be reasonable in amount, are otherwise allowable, and are properly allocable to a Government contract. Reasonableness is determined by comparing a contractor's employee compensation data to that paid on a comparable industry-wide basis. Excessive compensation is disallowed as unreasonable.

VETERANS UNEMPLOYMENT

14. Senator MANCHIN. Secretary Hagel and General Dempsey, as we've discussed before, my good friend Senator Mark Kirk and I formed the bipartisan Congressional Veterans Jobs Caucus to address veterans' unemployment. The veterans' unemployment epidemic is affecting the defense budget too. I find it troubling that DOD will spend nearly \$1 billion this year in unemployment compensation. This figure has increased by over 300 percent since 2003, when DOD spent about \$300 million on unemployment benefits. Our younger veterans are increasingly at risk. The 18- to 24-year-old veterans' unemployment rate is at 33 percent. What are you doing to help our troops find a job, before they need a job—before they leave the Service?

Secretary HAGEL. The Department's efforts are not merely about finding jobs for our future and current veteran population, but also include empowering them with

the skills-development training, information, awareness, and confidence to be “career ready” and highly competitive in today’s very challenging labor market. As you may already be aware, the Department recently revamped its Transition Assistance Program (TAP) into a cohesive, modular, outcome-based program. TAP is an outcome-based curriculum known as Transition GPS (Goals, Plans, Success), which provides practical skills, development training, and tools to veterans. These resources include financial planning seminars, VA workshops on available benefits, and Department of Labor Employment Workshop. DOD is also aggressively pursuing licensing and credentialing programs with many State agencies and trade associations allowing members to translate their military training into professional licenses and related items.

General DEMPSEY. I would say the biggest challenge is making sure we prepare them properly for transition. We want to make sure that these young men and women who have served so honorably and so well and have the skills and attributes, can translate their service in the military into employment in the civilian sector. We need to begin preparing them for transition at the beginning of their careers and not wait and cram it into the last 6 weeks before they separate from Service.

That said, the recent changes to the TAP are the most prominent efforts within DOD to improve employment outcomes for our transitioning servicemembers. Working with the VA and the Department of Labor we’ve redesigned the TAP into a comprehensive, mandatory program that includes pre-separation counseling, a military-to-civilian skills review, VA benefits briefings, financial planning support, a job search skills building workshop and individual transition plan preparation. We’ve expanded the timeline and created multiple tracks, to include technical training for those pursuing a technical career as well as an entrepreneurial track to prepare servicemembers wishing to start a business or be self-employed.

OVERSPENDING IN AFGHANISTAN

15. Senator MANCHIN. Secretary Hagel and General Dempsey, the President accelerated the draw down of forces this year. But, war spending is higher than expected and one of the cited reasons for the current budget shortfall. Why are we spending more in Afghanistan than projected?

Secretary HAGEL. I expect the drawdown of 34,000 troops in Afghanistan, as announced by the President, will eventually lead to lower overseas contingency operations (OCO) budgets. The drawdown will occur mostly in fiscal year 2014.

However, for fiscal year 2013, the Department is experiencing higher-than-budgeted costs in war spending because operating tempo in Afghanistan and transportation/retrograde costs are higher than anticipated. Efforts to responsibly draw down troop strength in Afghanistan require oversight, logistics support, base closure activities, and environmental remediation, a lot of which was not anticipated when formulating the fiscal year 2013 OCO budget.

As we move toward a responsible drawdown in fiscal year 2014, the budget is not projected to decrease proportionately to the forces in Afghanistan, because the cost reduction associated with fewer troops will be substantially offset by increasing costs such as:

- Preparing facilities for closure/environmental remediation;
- Bringing equipment home (transportation and retrograde costs);
- Costs for contractor personnel, which tend to lag reductions in troop costs because contractors are heavily involved in closure activities;
- Fixing or replacing equipment and replenishment of munitions (reset costs), which will remain high for several years after combat activities end; and
- Costs for sustaining in-theater forces—that is, units and forces operating outside Afghanistan but supporting our troops in Afghanistan and other activities in the U.S. Central Command region—largely continue at a steady pace of operations.

General DEMPSEY. The Department’s operating tempo and transportation costs in Afghanistan are higher than we anticipated when we developed the fiscal year 2013 OCO submission. Our efforts to responsibly drawdown troop strength in Afghanistan require oversight, logistics support, base closure expertise, and environmental inspectors/controls, most of which were not included in the fiscal year 2013 OCO request. Finally, we could not predict the higher retrograde costs due to the slow reopening of the Pakistan ground routes.

The Department has submitted a reprogramming action to Congress to largely offset war-related costs and avoid adverse effects on our wartime operations. The \$7.5

billion in transfer authority provided in fiscal year 2013 will provide some relief from this shortfall.

16. Senator MANCHIN. Secretary Hagel and General Dempsey, in some cases, are we spending more money to retrograde equipment than the actual equipment is worth?

Secretary HAGEL. In most cases, if the cost to retrograde an item exceeds its acquisition value, the Military Services will not retrograde the item. Instead, the Military Service will dispose of the item in accordance with existing authorities and guidance for reutilization, transfer, donation, demilitarization and destruction. In a limited number of cases, an item whose retrograde cost exceeds its acquisition value may be retrograded if it retains significant military utility and cannot be easily or quickly replaced.

General DEMPSEY.

- In many cases, such as for tactical vehicles, the equipment is being sent back with several upgrades and better capabilities than when it arrived in Afghanistan. These battlefield improvements represent lessons learned during combat, and it is essential we bring this knowledge home to benefit America's future national defense.
- The focus for us is not the cost but the requirement to bring home needed military capability, to ensure U.S. Armed Forces maintain proper future readiness. That being said, it will likely cost several billion dollars total, which is a good investment since the equipment in question would cost many times that amount to replace.
- In cases where the materiel is excess to the needs of the DOD and/or the transportation cost exceeds the fair market value, the materiel will be donated or disposed of. The disposition of U.S. equipment and supplies is an area of interest to Congress. Congress will be notified of the intent to donate or sell military equipment.

TROOP LEVELS IN AFGHANISTAN

17. Senator MANCHIN. General Dempsey, after 2014, the North Atlantic Treaty Organization (NATO) is planning for somewhere between 8,000 to 12,000 troops in Afghanistan. You said, "I find that to be a reasonable target." If we leave this many troops in country, I fear the war in Afghanistan may never conclude. In Iraq, we currently have less than 300 troops there. Why do you feel 8,000 to 12,000 troops are needed in Afghanistan after 2014?

General DEMPSEY. In my military judgment, a NATO force of 8,000 to 12,000 is necessary to secure our national objectives as I currently understand them in a post-2014 environment. NATO's proposed force structure range preserves flexibility, limits unnecessary risk to force and mission, and supports the objectives of the Afghanistan campaign. We will continue to refine our analysis and coordinate with NATO as conditions change over time.

ACTIVE COMPONENT TO RESERVE COMPONENT FORCE MIX

18. Senator MANCHIN. Secretary Hagel, since September 11, the Army National Guard has deployed over 500,000 soldiers to Iraq or Afghanistan. This includes 5,700 West Virginia guardsmen. Our Guard is really indistinguishable from the Active Force. Long gone are the days when our Guard didn't have a seat at the table. But, I'm not sure we've learned as much from this experience as we should have, and are yet to truly unleash the full potential of an operational reserve. I'm sure you are well aware that even after the Army completes its projected downsizing to 490,000 soldiers, it will actually be slightly larger than it was on September 11. Do you feel we have the right mixture of Active component and Reserve component forces?

Secretary HAGEL. At present, the Active component and Reserve component mix is about right. The National Guard and Reserves clearly proved their ability to accomplish assigned missions both overseas and at home. They will continue to play a vital role as the Department moves beyond the past decade of war in Iraq and Afghanistan, shaping the force in accordance with a defense strategy addressing the challenges of a new era. The high state of readiness of the Reserve Forces has been, and will continue to be, a strength for the Department. DOD is looking for opportunities to continue to use the National Guard and Reserves as part of the operational force.

19. Senator MANCHIN. Secretary Hagel, can we push more of our Active Force to the Guard to save money and retain our trained forces?

Secretary HAGEL. The Active component/Reserve component is at appropriate levels. Over the last decade, the Department has learned a significant amount about using Reserve Forces in many different mission sets. Reserve Forces provide unique opportunity to preserve operational capability and mitigate risk at reduced costs. The upcoming QDR will lay the ground work for assigning mission sets to all forces. Each component brings different capabilities to the fight. I will be looking to the Chairman of the Joint Chiefs of Staff, working closely with the Services and the Chief of the National Guard Bureau to recommend the most effective mix and make-up of Active, Reserve, and Guard personnel to support the Defense Strategy. We need to capitalize on each of the Reserve component capabilities. We need to take advantage of Reserve and Guard cost efficiencies where mission and acceptable risk permits. Determining the best mix is important to our national security, the efficient operation of the Department, and the overall cost effectiveness for U.S. taxpayers.

PRESIDENT'S DEFENSE BUDGET REQUEST

20. Senator MANCHIN. Secretary Hagel and General Dempsey, this budget largely ignores the caps that are in place under current law. While we all want a more balanced approach, the Budget Control Act (BCA) is the law of the land. If no deal is reached, at some point, between now and October, DOD will have to adjust to the sequester levels. In your estimation, at what point in the year would DOD need to move forward at the sequester levels and reduce this budget by \$52 billion?

Secretary HAGEL. The President's fiscal year 2014 budget request conforms to the discretionary spending limits in the BCA, as amended, as well as being within the targets established by both the Senate and House Budget Committees. The BCA does contain a provision for reducing these limits by over \$50 billion for the defense function; however, this provision is intended as a forcing function as all of the parties to this agreement agreed that these steep reductions were not intended to take effect. The President's budget contains sufficient deficit reduction to meet the threshold of the BCA, which, if enacted, would avoid sequestration.

General DEMPSEY. The fiscal year 2014 President's budget, in total, exceeds the deficit reduction targets in the BCA, meeting the intent of the law. This budget also proposes a level of defense funding that we believe is appropriate to defend the Nation. Secretary Hagel initiated a Strategic Choices and Management Review (SCMR) to examine options in the event sequestration cannot be mitigated.

21. Senator MANCHIN. Secretary Hagel and General Dempsey, do you plan on further end strength cuts if the sequester levels remain in place?

Secretary HAGEL. The fiscal year 2014 budget builds on the choices from the previous budget cycle and further implements the strategy articulated in the January 2012 Defense Strategic Guidance. In developing the fiscal year 2014 budget and planning for future years, the Department will adjust the size of the Total Force commensurate with requirements for future missions, while at the same time ensuring full support for the All-Volunteer Force.

If sequester levels remain in place, DOD will ask for flexibility to apply the reductions in a more strategic manner than the current across-the-board sequestration rules permit. I have initiated the SCMR to focus on the choices the Department faces in fiscal year 2014 and beyond, informed by the strategy that was put forth by the President a year ago. DOD must consider all options, including further force adjustments, to absorb a \$52 billion reduction.

General DEMPSEY. The new strategy calls for a smaller and leaner force. Last year we proposed reductions of about 100,000 in military end strength between fiscal year 2012 and fiscal year 2017. Most of those reductions occur in the ground forces and are consistent with the decision not to size U.S. ground forces for prolonged stability operations.

The fiscal year 2014 President's budget proposes no additional end strength reductions, but the Secretary's SCMR is assessing the potential impact of further funding reductions. The SCMR will reassess the basic assumptions that drive the Department's investment and force structure decisions. As Secretary Hagel has said, everything will be on the table, including force structure, personnel and compensation, acquisition and modernization, how we operate, and how we measure and maintain readiness. The review will identify the strategic choices and further institutional reforms that still may be required, including those reforms which should be pursued regardless of fiscal pressure.

BUDGET FLEXIBILITY AND REPROGRAMMING AUTHORITY

22. Senator MANCHIN. Secretary Hagel and General Dempsey, although we hope for a budget solution that is more balanced, the sequester and its caps are the law of the land. In the meantime, I am concerned that amount of flexibility Congress gave you to enact the cuts was insufficient. For instance, I was informed that the Army National Guard needs approximately \$123 million in reprogramming authority to pay certain guardsmen during this summer's annual training. What do you feel would be an optimal amount of additional flexibility during this year if the sequester cuts remain?

Secretary HAGEL. If the President's fiscal year 2014 budget for DOD were enacted by Congress as submitted, no other action was taken to avoid sequestration, and the President chose to exempt military personnel from sequestration, the Department would face a \$20 billion shortfall in our O&M accounts. Thus, the Department sees a requirement for \$20 billion in general transfer authority as a minimum to support the warfighters in the field and restore and maintain military readiness. It would, of course, be difficult to find the sources for these potential transfers without doing irreparable harm to our investment portfolio.

General DEMPSEY. We are now in a different fiscal environment. In order to put the Department on a path to sustain our military strength for the 21st century, we will need time, flexibility, and budget certainty. This means time to deliberately evaluate the tradeoffs in force structure, modernization, compensation, and readiness, the full flexibility to keep the force in balance, and a predictable funding stream.

We only have a few months left to absorb up to \$41 billion in reductions in fiscal year 2013. The Department is complying with the law and accommodating these reductions by cutting back sharply on everything from training to maintenance. If sequestration continues through the end of fiscal year 2013, we will be forced to impose far-reaching changes that will seriously damage military readiness. Unfortunately, at this point in the fiscal year, additional flexibility does not help very much.

 QUESTIONS SUBMITTED BY SENATOR JEANNE SHAHEEN

FURLoughS

23. Senator SHAHEEN. Secretary Hagel, one of the big concerns I have at this time is the effect furloughs might have on our readiness. DOD is currently considering furloughs of up to 14 days for our civilian workforce. In many cases, furloughs could wind up costing us more in the long run. For instance, the Navy has indicated that furloughs of our shipyard workforce could result in delayed maintenance of around 85 days. I understand the Navy has submitted proposals to find savings elsewhere and eliminate the necessity of furloughs altogether. I understand that DOD is currently considering plans for furloughing the civilian workforce. As you make a decision, can we have your commitment to take into account the long-term costs associated with furloughing our critical civilian workforce, particularly the long-term costs of delayed maintenance, possible overtime pay, and a growing backlog of ship and aircraft availabilities?

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

Based on all these inputs, I decided to direct furloughs of up to 11 days for most of the Department's civilian personnel. This halving of previous furlough plans reflects vigorous efforts to meet budgetary shortfalls through actions other than furloughs.

Furloughs will be imposed in every military department as well as almost every agency and in our working capital funds. All of our civilian employees are important, and I would prefer not to furlough any of them. However, there will only be limited exceptions driven by law and by the need to minimize harm to mission execution.

I understand that the decision to impose furloughs will impose financial burdens on our valued employees, harm overall morale, and corrode the long-term ability of DOD to carry out the national defense mission. I deeply regret these aforementioned effects of my decision. Nevertheless, I continue to urge our Nation's leaders to reach an agreement to reduce the deficit and detriger sequestration.

24. Senator SHAHEEN. Secretary Hagel, will you do what you can to find alternative ways to eliminate the need for civilian furloughs altogether?

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

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PUBLIC SHIPYARDS

25. Senator SHAHEEN. Secretary Hagel, our four public shipyards—in Washington State, Hawaii, Virginia, and Maine—are the backbone of our naval power. We are pleased that the Navy has agreed to accelerate a critical military construction project into this budget. In addition, we are pleased at the fact that the Navy may actually hit its 6 percent capital investment requirement for its installation sustainment account in the fiscal year 2014 budget. We look forward to supporting that commitment. These are good first steps, but more will need to be done in the years ahead to ensure that all of our public shipyards are modernized to meet their responsibilities. We are eagerly awaiting the shipyard modernization plan that this committee required from the Navy in the NDAA for Fiscal Year 2012. I understand it is on its way to us soon. Will you commit to pressing the Navy to fully fund the investments needed to implement this important modernization plan to the extent practicable?

Secretary HAGEL. The report to Congress on the Navy's Investment Plan for the Modernization of Naval Shipyards was delivered today. It outlines Navy's overall investment strategy to ensure the long-term continued mission effectiveness of naval shipyards.

Given the critical nature of naval shipyard facilities and requirements for uninterrupted service for aircraft carrier and submarine depot maintenance, the Navy recognizes the importance of infrastructure investments to improve mission-essential facilities as quickly as possible.

I will commit to pressing the Navy to fund shipyard investments, which is challenged by the current lack of predictability of future DOD budgets and competing requirements. Within the unpredictable environment, the Navy will address the investments on a year-to-year basis, balancing shipyard investments with those of the operating fleets.

GAY AND LESBIAN SERVICEMEMBERS

26. Senator SHAHEEN. General Dempsey, is there any reason to believe that gay and lesbian servicemembers are in any less danger than their straight counterparts during their time in uniform or their deployments overseas?

General DEMPSEY. No. There is no reason to believe that gay and lesbian servicemembers are in any less danger than their straight counterparts during their time in uniform or their deployments overseas.

All servicemembers, regardless of sexual orientation, face similar challenges and threats during their time in uniform or when deployed overseas. With our All-Volunteer Force, all servicemembers will continue to be eligible for worldwide assignment without consideration of sexual orientation.

27. Senator SHAHEEN. General Dempsey, do you see any military reason that the families and spouses of gay and lesbian servicemembers should not have access to compensation or benefits should their loved ones be injured or killed?

General DEMPSEY. No, I do not. Currently there are 20 member-designated benefits that can be extended to same-sex domestic partners; 12 of these benefits are survivor and death benefits available to the same-sex domestic partner of the military member if he/she designates the same-sex domestic partner as a beneficiary. On February 11, 2013, the Secretary of Defense announced the extension of 22 additional benefits for same-sex domestic partners of military members, and, where applicable, the children of the same-sex domestic partner. However, if the law governing the benefit defines the term “dependent” to be a spouse, then the Defense of Marriage Act prohibits us from extending the benefit to a same-sex domestic partner. DOD is committed to extending benefits to same-sex domestic partners to the maximum extent allowable under current law.

28. Senator SHAHEEN. Secretary Hagel, can you think of any other segment of individuals serving in our military that are entitled to fewer benefits than their peers based on their lifestyle?

Secretary HAGEL. Other than single individuals not being entitled to the same benefits as individuals with family members, no I cannot. For example, married servicemembers qualify for a higher basic allowance for housing rate than unmarried members without dependents. In this regard, under the law some benefits require gay and lesbian servicemembers to be treated the same as single servicemembers, despite being in committed relationships. If the law governing the benefit defines the term “dependent” to be a spouse, then the Defense of Marriage Act prohibits us from extending the benefit to a same-sex domestic partner.

To address this inequity, on February 11, 2013, then-Secretary Panetta announced the extension of additional benefits for same-sex domestic partners of military members, and where applicable, the children of the same-sex domestic partner, where the Department could extend benefits by policy. In advancing this policy change, then-Secretary Panetta committed DOD to extending benefits to same-sex domestic partners to the maximum extent allowable under current law.

29. Senator SHAHEEN. Secretary Hagel, do you foresee any managerial problems in providing benefits to the families of gay and lesbian servicemembers?

Secretary HAGEL. No, I do not. Implementation of the benefits announced on February 11, 2013, requires substantial policy revision, training, and, in the case of identification cards, changes to computer applications. DOD and the Military Services are currently working on these revisions and developing mechanisms to ensure the force is informed of the pending changes. It is my expectation that DOD and the Military Services will make every effort to ensure specified benefits will be available for same-sex domestic partners of military members, and, where applicable, the children of same-sex domestic partners.

VIRGINIA-CLASS SUBMARINES

30. Senator SHAHEEN. Secretary Hagel, DOD’s submarine capability will be a critical asset in the rebalance to the Asia-Pacific especially in light of nations in that region (China, North Korea, India, and Pakistan) placing an increased emphasis on developing their undersea programs. I am pleased to see that DOD was able to protect its investments in ship construction despite the difficult challenges imposed by sequestration. The procurement of two *Virginia*-class submarines in fiscal year 2014 with a plan to procure a total of 10 over the next 5 years signals your commitment to maintaining a preeminent submarine force. What effect will sequestration have on DOD’s ability to meet its shipbuilding goals?

Secretary HAGEL. DOD is currently assessing the impact of sequestration on its shipbuilding goals as part of a review of the Defense Strategy. Upon completion of the review, DOD will balance the level of risk across warfighting and support capabilities for the full range of potential military operations and prioritize procurements to meet those requirements. Changes to ship force structure numbers and types of ships will be evaluated based upon the results of this review.

31. Senator SHAHEEN. General Dempsey, I mentioned the undersea developments within the Asia-Pacific region. Do you feel confident that the *Virginia*-class submarine procurement plan and proposed enhancements are adequate to meet 21st century demands of our submarine force?

General DEMPSEY. Yes. The current *Virginia*-class submarine procurement plan supports a post-2020 SSN force of sufficient size to meet the 21st century demands of our submarine force. We plan to procure 30 *Virginia*-class submarines to maintain a post-2020 force of 48 attack submarines.

COOPERATIVE THREAT REDUCTION IN THE MIDDLE EAST AND NORTH AFRICA

32. Senator SHAHEEN. Secretary Hagel, you recently announced that the administration is utilizing DOD's CTR authorities to work with Jordan to help them counter the threat from Syria's chemical weapons. I believe that the Middle East and North Africa region represent a growing proliferation challenge when it comes to weapons of mass destruction (WMD)-related materials. I believe we should be supporting more CTR and nonproliferation programs in this region. Do you believe the United States is doing enough to work with our partners in the region to build their capacity to prevent, detect, or interdict WMD-related materials—particularly with respect to Syria's chemical weapons stockpile?

Secretary HAGEL. The U.S. Government is undertaking a significant effort to enhance the capacity of partners to mitigate the threat from Syria's chemical weapons stockpile. DOD's CTR program plays a key role in these efforts. In October 2012, then-Secretary Panetta, with the concurrence of the Secretary of State, exercised the authority to initiate CTR programs outside the area of the former Soviet Union, and specifically in the Middle East region to enable activities intended to mitigate threats from Syria's chemical weapons program. The CTR program's new work builds on an existing DOD CTR program to enhance Iraq's biosecurity capacity. DOD intends to use the CTR program's full suite of capabilities to enhance partner capacity through both training and equipment. DOD will continue to coordinate closely with the Department of State and Department of Energy, both of which are also undertaking important nonproliferation efforts in the region. Although WMD development and proliferation remain persistent threats in the Middle East, North Africa, and elsewhere, DOD seeks to advance its highest CTR priorities and is continuously evaluating how to apply available resources to address the most immediate threats most effectively.

33. Senator SHAHEEN. Secretary Hagel, given the threat posed by Syria's chemical weapons and other proliferation challenges in the region, can we anticipate additional CTR programming requests in the Middle East and North Africa?

Secretary HAGEL. The fiscal year 2014 budget submitted by the President requested \$528.5 million for the CTR program, which includes current requirements in the Middle East and North Africa. However, if the situation in Syria changes dramatically, such that the U.S. Government had a Syrian partner with which it could undertake efforts to secure and destroy Syria's chemical weapons stockpile, then the CTR program might face additional requirements. In that circumstance, DOD would seek to fund new requirements using available resources first, but would engage Congress if additional appropriations became necessary.

34. Senator SHAHEEN. Secretary Hagel, does DOD have all the authorities it needs to ramp up CTR efforts in the Middle East and North Africa?

Secretary HAGEL. Yes. The Middle East determination that Secretary Panetta signed in October 2012, with the concurrence of Secretary Clinton and Secretary Chu, enables DOD to help regional partners mitigate the threat from Syria's chemical weapons through the full suite of CTR program tools. DOD's CTR program also provides the ability to help Libya secure and destroy its chemical weapons stockpile, and to enhance Iraq's biosecurity capabilities. The applicable determinations reflect the DOD CTR program's current priorities and validated opportunities. If the Department identifies additional priorities in the region not already covered by my Department of State and Department of Energy counterparts, and if such potential opportunities for cooperation were validated, DOD could address these opportunities by proposing additional determinations to expand the CTR program accordingly.

 QUESTIONS SUBMITTED BY SENATOR ANGUS KING

REVERSIBILITY

35. Senator KING. Secretary Hagel, last year's Defense Strategic Guidance, "Sustaining U.S. Global Leadership: Priorities for 21st Century Defense," discussed the need to build the concept of reversibility into defense investment decisions we make in case our current assumptions about the future security environment are not valid. It specifically said we need to apply this concept to decisions we make concerning the industrial base, our people, our Active-Reserve component balance, our posture, and our partnership emphasis. How do you define reversibility, and how does the fiscal year 2014 budget request and Future Years Defense Program (FYDP) embody this concept?

Secretary HAGEL. Reversibility applies to DOD's ability to make course corrections in response to strategic, economic, or technological change. It is very hard to predict the future in this current environment. It takes years to recover a particular skill set when lost, if ever. That fact has been factored into DOD's program and budget decisions. So even though a particular program may have been weak, or something we thought about doing away with, if in doing away with it we would completely lose a capability or the ability to have that capability in the future on a timely or responsive basis, we have input of what to do in that case. The guiding principle of reversibility has spurred DOD to try to maintain investments in science and technology as well as research and development.

DEFINITION OF KEEPING THE FAITH

36. Senator KING. General Dempsey, what are your thoughts about what it means to you and the Joint Chiefs of Staff to keep faith with our men and women in uniform, their families, and veterans? Specifically, please discuss the concept of keeping faith in the context of military pay, benefits, and health care so that this committee can understand your views as we consider proposals related to military compensation, TRICARE, and other personnel issues.

General DEMPSEY. Yes, "Keeping Faith with Our Military Family" is one of the four priorities I established upon taking office. The most important way we keep faith is by making sure our soldiers, sailors, airmen, marines, and coastguardsmen are the best trained, led, and equipped when we send them into harm's way.

We should also honor our commitments to just and sustainable pay and compensation. I think we can reform both in a way that: (1) ensures long-term viability of an All-Volunteer Force; (2) fosters successful recruiting, retention, and military careers; (3) ensures quality of life for members, retirees, and families; and (4) achieves fiscal sustainability. We should pursue such reform comprehensively and at once if possible to remove prolonged uncertainty.

QUESTIONS SUBMITTED BY SENATOR JAMES M. INHOFE

HEALTH OF THE FORCE

37. Senator INHOFE. General Dempsey, you recently indicated to Congress that in your assessment of the military readiness, there are several worrisome health of the force indicators, but you did not elaborate further. Can you provide a detailed description of the indicators that are causing you concern and their anticipated trends over the next 5 years and for each one, can you suggest remedies to alleviate your concerns?

General DEMPSEY. Yes, there are a number of health of force indicators that make me concerned. Among them are suicide rates, sexual assault, behavioral/mental health issues, divorce rates, and retention rates. The Joint Staff continues to work with the Office of the Secretary of Defense, the Services, and Congress to implement holistic solutions to address each of these problem areas. We will continue to monitor these indicators and seek every opportunity to adopt/evolve our policies and practices. Senior leaders across all of the Services are unified in this effort.

DEFENSE ACQUISITION

38. Senator INHOFE. Secretary Hagel and General Dempsey, in January, Admiral Winnefeld, in his role as head of the Joint Requirements Oversight Council (JROC), authored a memorandum which stated: "the JROC encourages Program Managers, Program Executive Officers (PEO), and Component Acquisition Executives, in coordination with the requirements sponsor, to officially request requirements relief, through the appropriate requirements validation authority, where Key Performance Parameters (KPP) appear out of line with appropriate cost-benefit analysis." Obviously, this reform was designed to overcome situations such as when we spend 15 percent of a program's budget to get the last 3 percent of KPP. Though this reform is new, does DOD have any preliminary examples of how this reform has positively affected the acquisition process?

Secretary HAGEL. Since the Vice Chairman, in his role as head of the JROC, promulgated the KPP relief memorandum in January 2013, the Air Force was granted KPP relief for the required number of concurrent Joint Space Operations Center Mission System operators, which helped the program to stay on schedule; and the Army's Apache Block III program ground proximity hover characteristics were reset to a level more in line with observed mission profiles. Admiral Winnefeld and Mr.

Kendall are also working closely together to set KPPs at levels to provide effective and affordable capability to the warfighter in programs such as the Navy's Air and Missile Defense Radar program, and the Air Force Three Dimensional Expeditionary Long Range Radar program.

General DEMPSEY. Shortly after the release of this particular JROC memorandum, the Air Force requested KPP relief for the minimum number of users supported by the Joint Space Operations Center Mission System. The JROC reduced the threshold value for the number of concurrent users and consequently enabled the Air Force to meet the timeline for increment 1 Milestone C.

Additionally, in February the Army brought its Apache Block III program back to the JROC for relief of its hover-out-of-ground-effect capability. The JROC approved the proposed change which allows for a slight decrease in the required performance to account for expected engine wear over the life of the program.

39. Senator INHOFE. Secretary Hagel and General Dempsey, what are your thoughts on the potential of this reform?

Secretary HAGEL. Seeking KPP relief is not a new option. For instance, in 2009 the Navy sought and was granted acoustics related KPP relief for the *Virginia*-class submarine to bring those parameters more in line with mission requirements. However, the Vice Chairman's memorandum, as well as other directive and process revisions, have served to strengthen the coordination and synchronization of our activities to control cost and/or schedule.

General DEMPSEY. This initiative and similar efforts, like the pending update to the Department of Defense Instruction (DODI) 5000.02 and the revision of the Joint Capabilities Integration Development System (JCIDS) guidance documents, strive to improve the coordination between the requirements and acquisition processes. By building a more synchronous, dynamic, and flexible relationship between military requirements, acquisition, and budgetary efforts, DOD is better positioned to realize timely delivery of warfighter capability at a reasonable cost.

40. Senator INHOFE. Secretary Hagel and General Dempsey, how can DOD's leadership encourage such reforms in the future?

Secretary HAGEL. DOD's Better Buying Power 2.0 initiative provides a framework and specific tasks to continuously examine our sequestration processes to drive efficiency and effectiveness, measure progress, and capture lessons learned. To ensure leadership engagement, the Vice Chairman of the Joint Chiefs of Staff; Director, Cost Assessment and Program Evaluation; and Under Secretary of Defense for Acquisition, Technology, and Logistics will hold Quarterly Leadership Forums to ensure leadership visibility and engagement in process improvement. The Better Buying Power 2.0 initiative encourages the Services to emulate these cross-authority discussions within their Departments.

General DEMPSEY. We believe that maintaining focus on the changes put in place recently and continuing to improve the requirements process and its interaction with acquisition and resourcing will be key to future successes. The review and revision of the Chairman of the Joint Chiefs of Staff Instruction (CJCSI) 5123.01 (JROC Charter), CJCSI 3170.01 (JCIDS Instruction), and the JCIDS Manual is ongoing. They will continue to emphasize flexibility and speed in requirements review and validation, and when necessary, reassessment and adjustments to previously validated documents when overreaching or poorly crafted requirements inhibit acquisition program success.

41. Senator INHOFE. Secretary Hagel and General Dempsey, are there any incentives for program managers and PEOs to request relief?

Secretary HAGEL. Better Buying Power 1.0 put affordability constraints on programs over 2 years ago. The DODI 5000.02, currently in coordination, stipulates affordability goals, treated as KPPs, at Materiel Development Decision and Milestone A, and places affordability caps at Pre-Engineering and Manufacturing Development and Milestone B reviews. These affordability constraints force prioritization of requirements, drive performance and cost trades, and ensure that unaffordable programs do not enter the acquisition process. If poorly designed KPPs are driving unacceptable cost growth, the PEO has a very strong incentive to seek relief or face potential program cancellation.

General DEMPSEY. The incentive for the program manager and PEO is to develop a capability that meets the warfighters' needs on time and within budget. By focusing program resources on the achievement of a single performance parameter, the ability to enhance the overall system capability is diminished. Therefore, in order to provide the best technically feasible solution to the warfighter while remaining

within budget, it is in the PEO's best interest to request requirements relief when appropriate.

The Marine Corps' request for KPP relief with the Joint Air Ground Missile (JAGM) offers an exemplar of a program manager willing to seek requirements relief. The JROC-approved KPP relief for JAGM range was based on an updated acquisition strategy employing incremental thresholds for range values. The new range values still satisfied the primary need to provide better than current Hellfire capabilities and allowed the program to remain affordable without driving delivery delay.

DEFENSE ACQUISITION

42. Senator INHOFE. Secretary Hagel and General Dempsey, in June 2011, GAO authored a report titled, "DOD Weapon Systems: Missed Trade-off Opportunities During Requirements Reviews." In this report, GAO recommended that the JROC establish a mechanism to review analysis of alternatives (AOA) results earlier in the acquisition process. The JROC has adopted this recommendation. What are the advantages of this change?

Secretary HAGEL. Previously, there was an extended gap between JROC reviews during which capability requirements were developed, refined, and endorsed. The formal review of AOA results brings all stakeholders together including Joint Staff, Cost Assessment and Program Evaluation, AT&L, and the Services, to assess the requirements analysis and proposed alternatives, especially regarding cost and technology risk, before performance parameters are finalized in the and Capability Development Document (CDD). This provides a great advantage to acquisition activities that follow, especially conveying vetted and executable program requirements to industry in the Requests for Proposals.

General DEMPSEY. An upfront review of the AOA provides the JROC an opportunity to review the relative cost, capability, and strategic risk associated with each alternative evaluated and the preferred solution proposed out of these studies. This is a key enabler for the JROC to execute its statutory responsibilities under 10 U.S.C., section 181. Additionally, senior decisionmakers have the opportunity to assess non-materiel approaches as alternatives or in conjunction with materiel solutions. A recent example was the review of the Unmanned Carrier Launched Airborne Surveillance and Strike (UCLASS) Initial Capabilities Document (ICD) and AOA which resulted in reducing several capability requirement values to deliver proposed solutions to the warfighter quicker and at lower costs. The entire effort is to ensure DOD delivers the required capabilities to our warfighters at the right time, in the right quantity, for the best price.

43. Senator INHOFE. Secretary Hagel and General Dempsey, is DOD better able to explore non-materiel solutions to military requirements?

Secretary HAGEL. The iterative nature of the JCIDS process provides avenues for sponsors to identify and employ non-materiel solutions to satisfy validated capability gaps. When prudent, the JROC will also assess non-materiel options before validating a requirement for a materiel solution. For example, this was the case when the JROC reviewed DOD nuclear sampling requirements. After approving the Mobile Nuclear Air Sampling Initial Capabilities Document, the JROC recommended pursuit of non-materiel solutions in lieu of additional aircraft procurement.

General DEMPSEY. The iterative nature of the JCIDS process provides avenues for sponsors to identify and employ non-materiel solutions to satisfy validated capability gaps. When prudent, the JROC will also assess non-materiel options before validating a requirement for a materiel solution. Such was the case when the JROC reviewed DOD nuclear sampling requirements. After approving the Mobile Nuclear Air Sampling ICD, the JROC recommended pursuit of non-materiel solutions in lieu of additional aircraft procurement.

44. Senator INHOFE. Secretary Hagel and General Dempsey, is DOD better able to determine a materiel solution which provides the best equipment to warfighters, while also providing the best value to taxpayers?

Secretary HAGEL. Refinements in both requirements and acquisition processes, and components' active engagement in seeking Joint solutions, have made DOD more effective in looking across capability portfolios to procure effective weapon systems at lower cost. Spearheaded by better buying power initiatives, our performance in acquisition is improving, and mechanisms are in place to sustain improvement in the severe budget-constrained environment.

General DEMPSEY. The JROC is looking at capabilities in portfolios more than ever, which is driving DOD away from each problem having a distinct solution. For example, the JROC reviewed potential overlapping requirements for Service specific surveillance radar capabilities. After providing some requirements relief, the JROC determined that the requirements for Air Forces' three-dimensional long-range radar and the Marine Corps' Ground/Air Task-Oriented Radar provided similar capabilities to the joint force. The JROC continues to identify ways to develop cost savings from these redundancies as the programs continue through acquisition development.

Additionally, the JROC directed an assessment of Ground Combat Vehicle (GCV) and Amphibious Combat Vehicle (ACV) commonalities. After a comprehensive review, the JROC determined a common platform for both Services was not achievable due to the differences in mission. However, the JROC identified common technical areas and subsystems which could provide cost savings. By employing a portfolio perspective when validating requirements, the JROC is better able to define requirements which address the warfighters' needs more efficiently and effectively.

45. Senator INHOFE. Secretary Hagel and General Dempsey, are there examples where as a result of early consideration of the AOA, DOD changed its approach?

Secretary HAGEL. The AOA reviews have served to increase Joint scrutiny for all programs as they progress through the requirements and acquisition processes. In the case of the Army's GCV, the set of preferred performance parameters which were identified in AOA review were carried forward as the program moved into the acquisition process. This early extensive analysis enables opportunities for expanded performance trade-space, technology risk reduction, and cost control.

General DEMPSEY. The Navy's UCLASS was on a track to provide one orbit's worth of high end capability at a premium cost. After JROC review, UCLASS is now well-placed within the broader portfolio of unmanned ISR aircraft with respect to performance, capability, and basing. As a result, the program is now positioned to provide a larger number of lower end, long-range platforms carrying a variety of agile payloads that are common to other platforms and which support a variety of missions.

46. Senator INHOFE. Secretary Hagel and General Dempsey, what other reforms in this area is DOD considering so that decisions such as these are considered earlier in the acquisition process?

Secretary HAGEL. Admiral Winnefeld and Mr. Kendall lead a dynamic collaboration between the Joint Staff and the Office of the Secretary of Defense to foster analytic rigor and informed decisions earlier. This helps to ensure that acquisition programs start on a solid footing with executable and affordable requirements. The JCIDS and Better Buying Power-driven Defense Acquisition revisions provide the framework for implementing that shift to earlier in the acquisition process.

General DEMPSEY. DOD is striving to push capability gap information out to industry earlier in the acquisition process and provide them insight into what DOD is considering for future capabilities. By partnering early with industry, DOD is better able to leverage industry S&T efforts and, informed by early S&T development, provide feasible and affordable options for acquisition decisions. A recent example of this new approach is the Army's Future of Vertical (FVL) Initial Capabilities Document which defined capability gaps in the 2030 and beyond joint operational environment. Combatant command identified capability gaps will be shared with industry early in the assessment process providing a starting point for requirements, determination, and cost-informed trades.

DEFENSE ACQUISITION

47. Senator INHOFE. Secretary Hagel and General Dempsey, the Weapon Systems Acquisition Reform Act of 2009 made important and beneficial changes to the acquisition process. This includes statutory changes to the mission of the JROC. One such change was to remove the phrase the JROC should "ensur[e] the consideration of trade-offs among cost, schedule, and performance objectives for joint military requirements" and insert "in ensuring that appropriate trade-offs are made among life-cycle cost, schedule, and performance objectives, and procurement quantity objectives, in the establishment and approval of military requirements." What has been the effect of this statutory change? Most importantly, does the change enable DOD to better strike a balance between providing the best equipment to the warfighter while ensuring, if a materiel solution is chosen, that it is affordable and sustainable over the long-term?

Secretary HAGEL. The JROC is increasingly focused on program affordability over the lifecycle when assessing and endorsing joint military requirements. This serves to move consideration of trade-offs among cost, schedule, performance, and quantity further to the left in the acquisition process. Collaboratively setting parameters correctly early in program development is a key objective of both requirements and acquisition authorities and processes.

General DEMPSEY. In short, the answer is yes. We are focused on life cycle costs, especially operations and support where most costs are incurred. Affordability is becoming more important and we expect to provide more guidance in this area in the upcoming DODI 5000.02 revision.

48. Senator INHOFE. Secretary Hagel and General Dempsey, what additional changes should this committee consider to the statute to better achieve that goal?

Secretary HAGEL. The Department has submitted a legislative proposal that would amend section 2366b(a) of title 10 U.S.C which would allow for a more effective sequence of acquisition events and improve the operation of the DOD acquisition system. This sequence would have the formal Milestone B occurring when the Milestone Decision Authority approves the program plan and authorizes the release of the solicitation to industry and the Preliminary Design Review would be required prior to contract award.

General DEMPSEY. We believe that the 2013 NDAA changes provide the statutory guidance needed to move forward and improve upon the way we do business. We are already updating our guidance documents to ensure this is a focus in future requirements, acquisition, and resourcing decisions.

49. Senator INHOFE. Secretary Hagel and General Dempsey, the JROC has adopted new management procedures where the number of individuals who are invited to participate in JROC meetings has been significantly reduced. Has this increased the effectiveness and timeliness of the requirement determination process, and if so, how?

Secretary HAGEL. Admiral Winnefeld instituted the smaller forum to enable frank and open discussion among top leadership addressing shaping of the future force. The Office of the Secretary of Defense advisors to the JROC, particularly USD(AT&L), Director, CAPE, and USD(C) play a key role in those forums to produce informed, coordinated, and timely decisions on the Nation's defense capabilities. As a result, the JROC has become more agile and responsive, limiting its agenda and participation to top level leadership decision-making, and increasingly driving issues analysis and coordination to lower level preparatory forums.

General DEMPSEY. We believe this change is extremely positive and has resulted in more frank, open, and joint force-focused discussions by the JROC. Senior leadership is having a dramatic impact on shaping the joint force of the future. Critical issues are addressed for more timely and informed decisions as programs move through the resourcing and acquisition processes. Additionally, regular attendance of the statutory advisors, in particular USD(AT&L), D/CAPE, and USD(C), at the JROC forums has made coordination between requirements, acquisition, and resourcing processes more effective.

AUDITABILITY

50. Senator INHOFE. Secretary Hagel and General Dempsey, DOD is required to achieve audit readiness for its Statement of Business Resources (SBR) by September 30, 2014. In addition, by September 30, 2017, DOD is required to achieve audit readiness for its full financial statement. In order to assist in achieving these legal requirements, DOD has published a Financial Improvement and Audit Readiness (FIAR) Guidance. This FIAR Guidance outlines a process of four waves for achieving DOD's legal requirements. Each wave has objectives which must be achieved before progressing to the next wave. For example, upon successful completion of Wave 2, DOD's SBR must be able to be audited. In addition, at the conclusion of Wave 4, DOD's full financial statement will be audited. What is less certain is the specific timeline for accomplishing the objectives of Waves 1 and 3. What are the specific timelines for achieving the requirements of Waves 1 and 3, and is DOD on schedule?

Secretary HAGEL. The Department's incremental strategy for achieving audit readiness and the roadmap to auditable financial statements are contained in the DOD FIAR Guidance, which is being followed by all DOD Components and is detailed in their financial improvement plans. The FIAR Strategy is comprised of four waves. Completion of Wave 2 is dependent on the successful completion of Wave 1,

and the completion of Wave 4 is dependent on the successful completion of Waves 2 and 3.

Specific information relating to the four waves and DOD's status on each wave follows:

Wave 1 - Appropriations Received Audit has been completed by all DOD Components and validated as audit ready. The completion of this milestone was important, demonstrating that the funds appropriated to the Department are properly recorded and can be presented in the manner required by a financial audit. As such, Wave 1 was an important first step to enable completion of Wave 2.

Wave 2 - Statement of Budgetary Resources Audit builds on and expands the FIAR activity of Wave 1 by focusing testing and corrective activity on the business and financial processes that impact the SBR, which is also necessary to successfully complete Wave 4. All DOD Components are currently working on Wave 2 and are on track to achieve audit readiness of these processes by September 30, 2014, as required by the NDAA for Fiscal Year 2012. Audits are scheduled to begin in fiscal year 2015.

Wave 3 - Mission Critical Asset Existence and Completeness Audit requires DOD Components to improve practices, processes, controls, and systems to ensure mission critical assets are ready for existence and completeness audits. Since the existence and completeness of mission critical assets was established as a FIAR priority in August 2009, work is well underway and 53 percent of the assets are either under audit, validated as audit ready, or asserted as audit ready. Completing Wave 3 prior to completing Wave 4 is an important, incremental step and essential to achieving full audit readiness. All DOD Components with mission critical assets are currently working Wave 3. Plans indicate incremental completion with sufficient time to support Wave 4, and in all cases prior to September 30, 2017.

Wave 4 - Full Audit Except for Existing Asset Valuation, all work to improve processes, controls, and systems for Waves 1-3 also impact achieving the objectives of Wave 4. The Department is presently updating the DOD FIAR Guidance to document the specific steps needed to complete Wave 4 and achieve full audit readiness.

The Department's updated plans and timelines for completing Waves 2, 3, and 4 are contained in the May 2013 FIAR Plan Status Report that was delivered to Congress on May 15, 2013.

General DEMPSEY. I fully support the intent of full auditability of the Joint Force to include achieving audit readiness for both the Joint Staff Statement of Budgetary Resources as well as the Joint Staff's full financial statement. The Joint Staff is closely following DOD's FIAR Guidance and the schedule prescribed by DOD. We are currently on schedule to meet the timeline and objectives of Waves 1 and 2.

RISK MITIGATION PLANS IN RESPONSE TO THE CHAIRMAN'S RISK ASSESSMENT

51. Senator INHOFE. Secretary Hagel, Congress requires the Chairman of the Joint Chiefs to prepare an annual Chairman's Risk Assessment (CRA) and requires you to accompany the assessment with a plan to mitigate significant risks or deficiencies identified in the assessment. Both documents are required pursuant to section 153 of title 10, U.S.C., to be submitted by February 15 of each year. We received the CRA this year on April 10, 2013. In your mitigation plan, you note that while sequestration has occurred, your plan does not account for the severe fiscal effects imposed on DOD. As we review the budget request for fiscal year 2014 for DOD and the potential devastating impact of the budget caps imposed by the BCA, it is imperative that we receive a risk mitigation plan that takes into account current laws regarding future defense spending. Therefore, in addition to the information requested by other members of this committee regarding the impact on national security of sequestration in fiscal year 2014, can you please provide a revised risk mitigation plan assuming the budget caps imposed by current law on security accounts are maintained?

Secretary HAGEL. The Department is currently in the process of conducting a SCMR, which will examine the choices that underlie the defense strategy, posture, and investments, identify the opportunities to more efficiently and effectively structure the Department, and develop options to deal with the wide range of future budgetary circumstances. It will be informed by the strategy that was put forth by the President a year ago, and DOD will keep strategy in mind during every step of this review. Results of the review are expected to provide DOD with a holistic set of strategic choices to preserve and adapt the defense strategy—to include pos-

sible adjustments to military personnel levels—if sequestration is not de-triggered. The results of the SCMR will help define the risk associated with living within the budget caps imposed by the BCA and allow DOD to make informed decisions about how best to mitigate that risk, if possible.

NAVAL STATION GUANTANAMO BAY CUBA

52. Senator INHOFE. Secretary Hagel, we recently received a notification from DOD of the intent to spend over \$200 million for the construction of new detainee facilities and support facilities for the Joint Task Force at Naval Station Guantanamo Bay, Cuba (JTF–GTMO). As of now, these projects are not authorized by Congress and I would strongly recommend that Congress be allowed to review the policy implications of these initiatives prior to the expense of taxpayers' funds. Is your plan to request a formal authorization from Congress before carrying out the award of any construction projects?

Secretary HAGEL. DOD is currently in the process of assessing whether to repair or to replace certain facilities that have exceeded their anticipated service life (in some cases by many years). DOD will abide by its obligations to keep Congress informed, consistent with current military construction authorities. The projects being considered would replace deteriorating structures, consolidate facilities, gain efficiencies by reducing detainee movements, and provide quality of life improvements for servicemembers supporting the Joint Task Force mission.

53. Senator INHOFE. Secretary Hagel, what status of detainees will the new facility house?

Secretary HAGEL. All detainees at Guantanamo are held as unprivileged enemy belligerents under the authority provided by the 2001 Authorization for Use of Military Force, as informed by the laws of war. The new detainee facility under consideration would house High-Value Detainees currently held in Camp 7 by JTF–GTMO.

54. Senator INHOFE. Secretary Hagel, for how long will these projects be built to last?

Secretary HAGEL. These facilities will be built to Unified Facilities Criteria (UFC) 1–201–01 (Non-Permanent in support of Military Operations) standards. Therefore, I expect these facilities to last 7 to 10 years.

55. Senator INHOFE. Secretary Hagel, what is the current administration policy about housing detainees at GTMO in the future?

Secretary HAGEL. The President and the administration are committed to closing the DOD Detention Facilities at JTF–GTMO. Until such a time, DOD will continue to hold detainees in a manner that reflects the best practices for detention in non-international armed conflict and complies both with Common Article 3 of the Geneva Conventions and applicable U.S. law and policy. As a function of this continuing requirement, DOD is assessing whether to repair or replace certain facilities built for temporary use and far exceed their anticipated service life.

56. Senator INHOFE. Secretary Hagel, what is the administration policy about where to detain al Qaeda and its affiliates?

Secretary HAGEL. Throughout its history, the United States held detainees captured during armed conflict in various overseas theaters, as well as on U.S. soil. Historically, the particular circumstances of each conflict determined the appropriate detention location. In similar fashion, decisions regarding where to detain members of al Qaeda and associated forces are made on a case-by-case basis, in consultation with the Department's interagency partners.

57. Senator INHOFE. Secretary Hagel, what is the proper venue for trial, if appropriate?

Secretary HAGEL. A decision regarding the appropriateness of a venue in which to prosecute an alleged terrorist should be made based on the unique facts and circumstances of that particular case.

Speaking generally, with regard to the prosecution of alleged terrorists, it is essential that the government has the ability to use both military commissions and Federal courts as tools to keep this country safe. Both Federal courts and the reformed military commissions can and must be available to disrupt terrorist plots and activities, to gather intelligence, and to incapacitate terrorists through prosecution and conviction. When determining which system to use to prosecute a par-

ticular detainee, the Department remains relentlessly practical, focusing exclusively on which option will produce a result that best serves national security interests in the unique facts and circumstances of that case.

TRICARE FEE INCREASE PROPOSALS

58. Senator INHOFE. Secretary Hagel, in the fiscal year 2014 budget request, DOD's TRICARE Prime and TRICARE for Life enrollment fee proposals provide for fee increases based on each beneficiary's gross military retired pay. Why did you choose this method to calculate those specific fee increases?

Secretary HAGEL. DOD's benefit reform proposals are based on one's ability to pay, as calculated by gross retirement pay. The higher the gross retirement pay, the higher the enrollment fees, but only to a point. DOD instituted both a floor and ceiling to help ensure that no one pays too much or too little. An additional feature of this method is that it provides for a gradual increase rather than a cost cliff that can occur with a tier-based system. When fully implemented, the annual calculation is a simple 4 percent of gross retired pay. Even after benefit reform, TRICARE will still be an incredible value. Out-of-pocket costs remain far below the percentage of cost-sharing experienced in 1995, even with proposed changes. Moreover, DOD will protect the most vulnerable beneficiaries from proposed changes in cost-shares.

59. Senator INHOFE. Secretary Hagel, how much will it cost DOD to implement all of the new TRICARE fee increases that you propose?

Secretary HAGEL. DOD anticipates \$27 million in one-time, additional administrative costs. This includes change orders for the TRICARE contractors, system changes, and other transition costs needed to effect the changes. The savings estimates for the proposals were reduced by this amount.

60. Senator INHOFE. Secretary Hagel, did DOD consider the additional administrative costs (systems changes, contract modifications, et cetera) required to implement new TRICARE fee increases and how do those costs affect your estimated savings from fee increases in fiscal year 2014 and the out-years?

Secretary HAGEL. The savings estimates for the proposals were reduced by \$27 million in anticipation of one-time additional administrative costs. This includes change orders for the TRICARE contractors, system changes, and other transition costs needed to effect the changes.

61. Senator INHOFE. Secretary Hagel, were health program and policy experts within DOD given an opportunity to consult on the fee increase proposals or were DOD's proposals simply the result of a budget-driven exercise by the administration?

Secretary HAGEL. Health benefit reform within DOD was shaped over the last 8 years by many program and policy experts, Members of Congress, constituencies, and subject matter experts from both within and outside of the Department. Far from being simply a budget-driven exercise, these proposals are based on sound principles. Beneficiaries, both Active and retired, deserve a generous health benefit. The military health benefit is one of the best in the country, and it remains that way. Out-of-pocket costs are far below the percentage of cost-sharing beneficiaries experienced in 1995, even with proposed changes. In addition, DOD will protect the most vulnerable beneficiaries from proposed changes in cost-shares.

62. Senator INHOFE. Secretary Hagel, if Congress prohibits DOD's new TRICARE fee proposals, what is your back-up plan to make up the large deficit in the Defense Health Program accounts?

Secretary HAGEL. If Congress prohibits the proposed TRICARE fee changes and does not restore the budgeted savings in fiscal year 2014, the Department will likely be forced to make additional reductions to readiness and modernization accounts. The TRICARE fee proposals are an important piece of the Department's approach to balanced drawdown in defense spending. The fee changes are necessary to help put the military health benefit on a path to long-term fiscal sustainability, to lessen the impact on readiness and modernization efforts, and to avoid a hollowing of the force in the near-term until savings from longer-term structural changes are realized.

CIVILIAN FURLOUGHS

63. Senator INHOFE. Secretary Hagel, the Navy and Marine Corps have announced that funds are available to avoid furloughs of their civilian employees and to meet readiness requirements, but the Office of the Secretary of Defense will not give the Navy that flexibility. You testified that DOD favors a unified approach to furloughs, recognizing that some Services—like the Army—may not be in the same position with respect to funds available to avoid furloughs. If DOD cannot avoid furloughs completely, would you require the Navy and Marine Corps to furlough civilian employees, with resulting hardship to those civilian employees and their families, when the Navy and Marine Corps have found a way to avoid furloughs?

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

Based on all these inputs, I decided to direct furloughs of up to 11 days for most of DOD's civilian personnel. This halving of previous furlough plans reflects vigorous efforts to meet our budgetary shortfalls through actions other than furloughs.

Furloughs will be imposed in every military department as well as almost every agency and in our working capital funds. All of our civilian employees are important, and I would prefer not to furlough any of them. However, there will only be limited exceptions driven by law and by the need to minimize harm to mission execution.

I understand that the decision to impose furloughs imposes financial burdens on our valued employees, harms overall morale, and corrodes the long-term ability of DOD to carry out the national defense mission. I deeply regret this decision. I continue to urge our Nation's leaders to reach an agreement to reduce the deficit and de-trigger sequestration.

RECRUIT PROCESSING IMPACTS FROM SEQUESTRATION

64. Senator INHOFE. Secretary Hagel, if civilian furloughs in response to sequestration impact the mission of the Military Entrance Processing Stations (MEPS), then what options does DOD have to provide additional resources to ensure recruit processing is not degraded?

Secretary HAGEL. The Department is carefully considering the impact that furloughs will have across the MEPS. It is expected that Military Entrance Processing Command (MEPCOM) will focus furlough days on Fridays, which is the lowest volume day of the week for processing recruits, to allow the maximum use of civilian resources to support recruit processing as much as possible. Additionally, MEPCOM will continue to work with the Service recruiting commands to optimize recruit scheduling, which will make the most of available processing time. The reduction in processing capability will still exist, but these mitigation efforts will lessen the overall shortfall in recruit processing.

INTEGRATED ELECTRONIC HEALTH RECORD

65. Senator INHOFE. Secretary Hagel, DOD and the VA have been working on integrated electronic health records (iEHR) for several years with very little progress being made towards a truly seamless transition of health information between the two of them. In January 2013, the VA decided to use VistA, its legacy system, as its core health record despite the findings of a recent study commissioned by the VA that identified many VistA deficiencies. We've been told that DOD has been evaluating existing solutions to determine the appropriate core health record to use. When will DOD announce its decision on a way forward?

Secretary HAGEL. Following a 30-day internal review, I issued a memorandum directing the Department to conduct a competitive acquisition process to achieve DOD's electronic healthcare system modernization. In the near-term, DOD will continue to work with the VA to provide seamless, integrated sharing of electronic health data this year. The completion modernization effort will build on this near-term work.

66. Senator INHOFE. Secretary Hagel, how much will it cost for both DOD and the VA to develop and field a new, interoperable iEHR?

Secretary HAGEL. Updated cost estimates for the development, deployment, and sustainment of a modernized DOD electronic health record system will not be known until the program is realigned with the direction I provided in my memorandum for the Department's electronic health care record modernization way ahead.

67. Senator INHOFE. Secretary Hagel, why should Congress believe that DOD and VA can develop and implement an interoperable iEHR since they have shown little competence and cooperation doing this work in the past?

Secretary HAGEL. Secretary Shinseki and I are both committed to the goal of providing seamlessly integrated healthcare data interchange between the DOD and the VA this year. DOD and VA intend to make standardized, integrated clinical record data broadly available to clinicians across the DOD and VA later in calendar year 2014. On a parallel path, the DOD needs to modernize its clinical software, and the VA continues to evolve its legacy system. My memorandum providing direction the Department's healthcare modernization effort is intended to refocus efforts on achieving near-term data-interoperability while also pursuing a competitive acquisition process to satisfy DOD mid-term electronic healthcare management software modernization needs.

68. Senator INHOFE. Secretary Hagel, Office of the Secretary of Defense/Legislative Affairs recently informed this committee that the iEHR effort has been transferred from the Office of the Under Secretary of Personnel and Readiness to the Office of the Under Secretary for Acquisitions, Technology, and Logistics. What caused this abrupt change in oversight?

Secretary HAGEL. Both my Acting Under Secretary of Defense for Personnel and Readiness (A/USD(P&R)) and the Under Secretary for Acquisition, Technology, and Logistics (USD(AT&L)) remain engaged in the Department's iEHR efforts. The Assistant Secretary of Defense for Health Affairs will continue to serve as the functional sponsor for this capability. Because choosing EHRs is an acquisition decision, I directed USD(AT&L), who is an expert in procurement, to assume responsibility for DOD healthcare records interoperability, software modernization, and lead for DOD coordination with VA on the technical and acquisition aspects of iEHR.

SUICIDE PREVENTION

69. Senator INHOFE. Secretary Hagel and General Dempsey, our force is exceptionally well-trained on suicide awareness and prevention, and yet we still experience the tragedy of suicide at an unacceptably high rate. What is your assessment on whether the current level of training and leadership engagement is sufficient or whether it has inadvertently created a climate in which some vulnerable individuals may have contemplated suicide because we talk about it so much?

Secretary HAGEL. Research has shown that increased awareness of the issue of suicide, so long as it is not glamorized or normalized, does not increase the risk of suicide. Most suicide awareness trainings include messages about how treatment works and that seeking help is a sign of strength. Leaders reinforce these messages outside of the awareness trainings. DOD is shifting towards a resilience emphasis, which will reinforce messages of hope, recovery, and strength to further reduce suicidal thoughts among servicemembers.

General DEMPSEY. Currently, DOD widely disseminates suicide prevention trainings that focus on recognized best practices in raising awareness about the warning signs and risk factors of suicide, and the crisis resources available to servicemembers and their families. Leaders in DOD encourage servicemembers to seek help for their behavioral health issues, and understand the potential negative consequences if leadership is not actively involved in the issue of suicide. These negative consequences may reflect in suicide contagion, resulting from inappropriate communications, such as glamorizing or sensationalizing suicide. However, research has shown that increased awareness of the issue of suicide, when conveyed according to nationally-accepted best practices, does not increase the risk of suicide. DOD has strong guidelines that encourage the safe reporting of suicide, which are in line with the prevention guidance of health bodies such as the World Health Organization and the Suicide Prevention Resource Center. This guidance, which is provided in trainings, aims to reduce suicide contagion, helps reduce the stigma that prevents some servicemembers from seeking help, and promotes awareness of the Military Crisis Line, which provides 24/7 crisis support to servicemembers and their families. These efforts target the saving of lives, rather than increasing the possibility of sui-

cide. In addition, DOD is shifting towards a stronger emphasis on resilience to improve servicemembers' protective factors against suicide.

SEXUAL ASSAULT

70. Senator INHOFE. Secretary Hagel, what is your assessment concerning whether DOD has experienced any difficulties in implementing NDAA requirements to reduce the occurrence of sexual assault?

Secretary HAGEL. There are several areas we have experienced difficulty in resolving.

Section 586 of the NDAA for 2012 requires DOD to develop a comprehensive policy on retention and access to records. Because section 586 required preservation of all physical and forensic evidence rather than just the SAFE Kit and related documentation, section 586 had the unintended consequence of preventing victims from recovering their personal property after the legal proceedings are finalized.

This requirement brings unnecessary anguish to victims and places law enforcement in a difficult and uncomfortable position of denying victims access to property, which they rightfully own. Personal property seized could include articles of clothing, jewelry, bedding, shoes, cell phones, computers or other electronic devices, or anything the victim submitted for evidence. These items could have significant sentimental value (e.g., necklace given by a parent) or considerable monetary value, as with an electronic device.

Before section 586 was enacted, these items were routinely returned to victims at the end of legal proceedings. The return of a victim's personal property assists in giving victims closure and helping in their recovery. Consequently, DOD seeks to alter the requirements of section 586 to ensure that personal property can be returned to the victim in a manner that does not interfere with any potential legal proceedings.

Also, section 575 of the NDAA for 2013 requires DOD to gather additional detail/data for inclusion in the annual report. This new requirement included an analysis and assessment of trends and incidence, disposition, and prosecution of sexual assault by units, commands, and installations.

While important for assessing the effectiveness of DOD's SAPR program, this new level of detail stands to potentially eliminate a victim's right to privacy and his/her desire for confidentiality because it could have the unintended consequence of identifying victims. Our concern is that victims will not view reporting as a reasonable option and, as a result, may not access the care they need.

71. Senator INHOFE. Secretary Hagel, has DOD had an adequate time and opportunity to evaluate the effectiveness of those requirements?

Secretary HAGEL. In the past two NDAA legislative cycles, fiscal year 2012 and fiscal year 2013, we have been responsible for implementing more than 25 provisions of law related to sexual assault. Most of these provisions were passed on January 2, 2013. As we are still actively developing and implementing in policy many of these provisions of law, it is too early to assess their effectiveness. We need to allow time to ensure these policies take effect and then to assess their overall impact on our ability to reduce and eliminate sexual assault in the armed forces.

72. Senator INHOFE. Secretary Hagel, what additional tools does DOD need in order to continue to reduce—with the goal of eliminating—sexual assault?

Secretary HAGEL. In the last year alone, my predecessor and I announced numerous initiatives to prevent and respond to the crime of sexual assault. These initiatives, as well as our new DOD Strategic Plan, the UCMJ review panels, the Air Force Pilot Program on legal assistance, the DOD-wide stand-down, and visual inspection of DOD facilities have the potential to make a dramatic impact on victims desire to remain in the system and to instill confidence across the board. Because of the range and scope of these many new efforts, we need time to put them in place, prepare and implement needed training, and then assess what additional steps need to be taken.

ASSESSING COMMANDERS' PERFORMANCE

73. Senator INHOFE. General Dempsey, some have suggested that it would be appropriate to incorporate standardized assessments of commanders' performance in prevention, investigation, accountability, advocacy, and assessment of sexual assault response and prevention lines of effort. What are your views of the potential benefit

and feasibility of requiring assessment of commanders' performance on SAPR in Service-specific performance appraisal systems?

General DEMPSEY. It is important that we hold commanders accountable for the organizational climate in their organizations. Secretary Hagel recently directed the Service Chiefs to develop methods to assess the performance of military commanders in establishing command climates of dignity and respect, and incorporate sexual assault prevention and victim care principles in their commands. The use of Service-specific performance appraisal systems will be assessed.

SAME SEX PARTNER BENEFITS

74. Senator INHOFE. Secretary Hagel, recently former Secretary of Defense Panetta announced that DOD will expand benefits to unmarried same-sex domestic partners who declare a committed relationship, but will not extend those same benefits to unmarried heterosexual domestic partners. Do you agree with Secretary Panetta, that when it comes to benefits paid for by hard-working American taxpayers, that DOD should favor same-sex domestic partners over heterosexual partners?

Secretary HAGEL. I value the service of all members of DOD equally. I am humbled by their dedication to their nation and the tremendous sacrifices they make on a daily basis. That being said, I am bound by the laws passed by Congress. I recognize, as did Secretary Panetta, that good order and discipline are enhanced by the equitable treatment of all individuals in DOD, to the extent permissible under law. Heterosexual couples, if they so choose, have the opportunity to get married in every State, and their marriages are recognized by Federal law. Same-sex couples do not have this opportunity and as a result, several benefits, such as medical care, may not be legally extended. The extension of benefits identified by my predecessor earlier this year is a significant effort to close the gap in equity for benefits, consistent with current law, and sends a clear signal to all servicemembers that the United States highly values their service.

RESERVE/NATIONAL GUARD FORCE MIX

75. Senator INHOFE. General Dempsey, in your testimony you stated that DOD needs flexibility to keep the force in balance, and that everything must be on the table including the mix among Active, Reserve, and National Guard units. In view of the heavy wartime demand on the forces including the Reserve and Guard, what do you envision as a viable option to change that force mix?

General DEMPSEY. Specific force mixes are dependent on the ongoing strategic review, still uncertain budget, and future threats. What is certain is the requirement to refine the integrated, Total Force approach that served us so well the past decade during counter-insurgency operations. In reshaping for our joint future, we require the flexibility to organize complementary capabilities to cost-effectively meet a changing and dynamic national security environment. We will need a total force mix that is responsive enough to deter and defeat adversaries forward and appropriately sized to defend the Homeland within its borders or surge for unforeseen threats. At the same time, we need to be able to sustain the All-Volunteer Force over the long-term. Meeting these requirements requires us to periodically and carefully rebalance Active and Reserve component forces. While minimizing cost is an important consideration and always one of our goals, maintaining an effective and responsive force is the imperative.

MILITARY COMPENSATION FOR THE ALL-VOLUNTEER FORCE

76. Senator INHOFE. Secretary Hagel and General Dempsey, our Nation's historical experience of pursuing cost savings by cutting military compensation has demonstrated that periods of designed reduction in overall compensation levels resulted in retention problems. Those retention problems, especially in the context of generally improving civilian employment opportunities, meant Congress was required to come back and authorize catch-up increases to help us keep the highly trained talents and skills that we need. What is your assessment of the impact of the President's proposed slowdown in military compensation on retention and recruiting?

Secretary HAGEL. My assessment, informed by recommendations of the Department's senior leadership, is that curbing the growth in compensation is prudent and does not increase risk to recruiting and retention programs. The costs of military pay and benefits are a significant driver of spending growth that must be addressed in today's constrained fiscal environment. Therefore, the President's budget package

includes a modest slowing of military pay growth by implementing a 1 percent pay raise for servicemembers in 2014.

In June 2012, the 11th Quadrennial Review of Military Compensation reported that on average, enlisted members are paid at approximately the 90th percentile, and officers are paid at the 83rd percentile relative to American workers with similar education and experience. Capping the pay raise in 2014 at 1 percent, while the Department continues to assess the economy and prepares for reduced operations abroad, will provide the flexibility to inject limited resources into those areas critical to maintaining the future force. This will also continue to fulfill the United States' responsibility to provide military members a standard of living above a majority of their civilian counterparts.

This adjustment to pay was among the most carefully considered and difficult choices in the budget. The decision was made with the strong support of the Joint Chiefs of Staff and the senior enlisted leadership, in recognition that limiting personnel costs was necessary to sustain military compensation over the long-term without reducing the size or readiness of the force.

General DEMPSEY. My assessment, informed by the Service Chiefs' recommendations, is that curbing the growth in compensation is prudent and does not increase risk to the Department's recruiting and retention programs. The cost of military pay and benefits are a significant driver of spending growth that must be addressed in today's constrained fiscal environment. Therefore, the President's budget package includes a modest slowing of the growth of military pay by implementing a 1 percent pay raise for servicemembers in 2014.

Capping the pay raise in 2014 at 1 percent, while we continue to assess the economy and prepare for reduced operations abroad, will afford the Department the flexibility to target limited resources at those areas critical to maintaining the force we need in the future.

This adjustment to pay was among the most carefully considered and difficult choices in the budget. This decision was made with the strong support of the Joint Chiefs of Staff and the senior enlisted leadership in recognition that limiting personnel costs was necessary to sustain military compensation over the long-term without reducing the size or readiness of the force.

FAMILY SUPPORT PROGRAMS

77. Senator INHOFE. General Dempsey, you testified that unsustainable cost and smaller budgets require DOD to examine every warrior and family support program to make sure we are getting the best return on our investment. How do you assess the investments our Nation has already made in family support programs, and suicide prevention, in particular, in moving the needle with demonstrable positive return on investment?

General DEMPSEY. The Nation's investment has been continuous and favorable. As our budget decreases, we're continuing to explore public-private partnerships. As you're well aware, America cares about and values our men and women in uniform and their families—and is assisting them in communities across our Nation.

TUITION ASSISTANCE

78. Senator INHOFE. General Dempsey, I am pleased to learn that DOD has now reinstated the Tuition Assistance program, previously cancelled by the Army, Marine Corps, and Air Force in response to the administration's failure to plan for sequestration. How does tuition assistance enable the Active-Duty Forces to meet the professional development requirements you described in your testimony to establish the Profession of Arms as the foundation for the Joint Force?

General DEMPSEY. Renewing our commitment to the Profession of Arms has been one of my priorities. In order to be a professional, we must develop servicemembers of character and competence. Education is essential to how we do this as an institution.

We recruit and seek to retain high quality individuals who are committed to continuous learning. The Tuition Assistance program helps us to satisfy their interests and invest in the future of the Joint Force. The courses our members take using the Tuition Assistance program balance the pursuit of education with other professional priorities, such as mastery of rating skills, warfare qualification, and leadership skills.

As we work to restore and maintain readiness in light of budget reductions, we must carefully balance our investments. To minimize the impact to programs like

this, the Joint Chiefs and I are seeking congressional support for greater time and flexibility to implement reductions.

LANGUAGE AND CULTURE TRAINING

79. Senator INHOFE. General Dempsey, having military members with language and culture training are essential to a U.S. global force. The NDAA for Fiscal Year 2013 authorized the Secretary of Defense to transform the National Language Service Corps from a pilot to a permanent program, and also to enhance the ability of our Federal agencies to hire people with strategic foreign language skills and as National Security Education Program awardees. What are DOD's goals with respect to the capabilities represented by the National Language Service Corps?

General DEMPSEY. The National Language Service Corps is an invaluable asset that maintains a readily available group of language volunteers who provide supplemental language resources to U.S. Federal agencies when a U.S. Government requirement arises. In order to respond to increasing demands for foreign language skills, DOD plans to increase membership in the National Language Service Corps from the current 4,200 to at least 5,500 and expand the number of languages/dialects represented from 283 at present to at least 350, by fiscal year 2015. This increase will provide greater opportunities for the Corps to respond to requests in areas such as strategic language support operations (interpretation, translation, and analysis), training (instruction), logistics activities, emergency relief activities, and administrative language support services to Federal Government domestic and international activities. Once DOD internal procedures are established, the National Language Service Corps will more actively expand its membership recruitment efforts to reach out to groups in which the government has already invested (such as veterans and other members departing the Services who have foreign language skills).

WOMEN IN COMBAT

80. Senator INHOFE. Secretary Hagel and General Dempsey, on January 24th, former Secretary of Defense Panetta rescinded the 1994 Direct Ground Combat Definition and Assignment rule that excluded women from assignment to units and positions whose primary mission is to engage indirect combat on the ground. How will military readiness be improved by opening combat arms units and positions to women?

Secretary HAGEL. Opening positions to women maximizes military capabilities, provides a greater pool of qualified members from which to draw, and reduces operational tempo. The Department's goal is to ensure that the mission is met with the best-qualified and most capable people, regardless of gender. This effort will ensure that the Department continues to maintain a high state of readiness and preserve the quality of our All-Volunteer Force.

General DEMPSEY. The elimination of the 1994 Direct Ground Combat Definition and Assignment Rule provided greater flexibility assigning the best qualified individuals where they are needed most. Greater flexibility and wider pool of skilled personnel creates a more agile and responsive force generation model for greater readiness.

81. Senator INHOFE. Secretary Hagel and General Dempsey, how will you integrate sexual assault prevention consideration into decisions on whether units should be opened to women?

Secretary HAGEL. I have made it abundantly clear that there is no place in DOD for sexual assault and made it a top priority to do everything possible to reduce and prevent sexual assault, to make victims of sexual assault feel secure enough to report this crime without fear of retribution or harm to their career, and to hold perpetrators appropriately accountable.

The key to successful integration will be our commanders, who are expected to follow DOD policies on standards of conduct, ensure strict compliance with those standards, and build the appropriate command climate. No one should be at risk—male or female.

General DEMPSEY. Sexual assault and sexual harassment are unacceptable and eradication of both is a top priority throughout the Department. Our men and women need to feel safe and secure no matter where they serve. To that end, we have a plan that ensures a sufficient cadre of mid-grade/senior enlisted and officers are assigned to previously closed units to ensure successful assimilation of women for the long run. Having these women in leadership positions helps create a com-

mand climate where more junior women will have senior female mentors who are already established in the unit.

82. Senator INHOFE. Secretary Hagel and General Dempsey, how will integration of women into these units and positions further efforts to combat sexual harassment and assault in the Armed Forces?

Secretary HAGEL. Commanders are key for successful integration. General Dempsey and the Joint Chiefs of Staff proposed a way forward that ensures a sufficient cadre of women who are mid-grade/senior enlisted and officers are assigned to commands at the point of introduction to ensure success in the long run. As women are assigned to previously closed positions, the Services will solicit feedback from these women and assess how future assignments may be enhanced.

General DEMPSEY. Sexual assault and sexual harassment are unacceptable and eradication of both is a top priority throughout the Department. Our men and women need to feel safe no matter where they serve and feel secure enough to report this crime without fear of retribution or harm to their career. To that end, we have worked extensively on a plan to ensure a sufficient cadre of women who are mid-grade/senior enlisted and officers are assigned to these previously closed units to become established members of the command to act as mentors to younger women as they assimilate into the unit. Having these women mentors firmly established within the command will have a positive influence toward establishing a command climate of trust and support for young women once they arrive.

83. Senator INHOFE. Secretary Hagel and General Dempsey, do you agree that if physical requirements are based on bona fide military requirements, some male servicemembers may be unable to meet gender-neutral standards?

Secretary HAGEL. Yes, I agree. Recent experience at over a decade of war indicates that a review of standards is necessary to ensure both men and women are physically able to perform the tasks required of them without sustaining an injury.

The Services are working to ensure the standards used to classify and train male and female servicemembers are validated by science and related directly to the tasks required by their occupations. Applying these task-oriented occupational screening tests, without regard to gender, provides the greatest opportunity for maintaining the readiness of the force.

This effort complies with the requirements of the NDAA for Fiscal Year 1994 (P.L. 103-160), section 543, which requires the Department shall ensure that occupations are evaluated on the basis of common, relevant performance standards, without differential standards of evaluation on the basis of gender. If the physical requirements of an occupational specialty are newly established or revised, a member serving in that occupational specialty shall be provided a reasonable period to meet the new standard.

General DEMPSEY. Relevant performance standards exist to ensure individuals can accomplish the associated tasks required of the mission. This includes screening males at certain military occupational training schools to ensure they meet requisite standards.

CHANGES TO ARTICLE 60

84. Senator INHOFE. Secretary Hagel and General Dempsey, Secretary Hagel recently directed the DOD General Counsel to draft a change to Article 60 of the UCMJ that would limit existing authority of commanders to take post-trial action for military courts-martial, including cases involving sexual harassment and sexual assault, which can have a negative impact on unit readiness, cohesiveness, and combat effectiveness. In light of the recent testimony by the Service Judge Advocates General that it is exceedingly rare for convening authorities to exercise their lawful authority to set aside court-martial convictions, explain why you can trust your commanders to make decisions to send servicemembers into combat, but you cannot trust their authority to make decisions concerning military justice?

Secretary HAGEL. The military justice system must serve two critical purposes: (1) to provide justice for all participants in the system, including victims, and (2) to support good order and discipline throughout the ranks. Proposed changes to the military justice system must be carefully evaluated against those two goals. After consulting with the Joint Chiefs, and with the Department's military justice experts, I concluded that limiting the commander's authority to reject findings would increase the confidence of the men and women of our military in the military justice system, and thereby contribute to good order and discipline, and it would increase the confidence of victims of crimes that they would receive justice.

General DEMPSEY. I do trust commanders to make decisions within their authority in times of combat and peace, on the battlefield, and within garrison. This includes trusting those commanders vested with the responsibility of serving as a convening authority.

That being said, military justice has significantly evolved since the UCMJ was originally enacted. Sixty years ago, military judges had no role in courts-martial, and neither the accused nor the government was represented by an attorney. The convening authority, with the assistance and advice of a staff judge advocate, was required to review the record of trial for both factual and legal errors. Today, the accused has the right to be represented by an attorney, trial counsel are also licensed attorneys, and professional military judges preside over general and special courts-martial. A robust appellate process has also developed over time, providing an added layer of judicial review to ensure an accused's legal rights were protected. These positive developments in the professional nature of court-martial practice have significantly diminished the need for convening authorities to modify the findings adjudged at a court-martial, except in limited circumstances in the best interest of justice.

Secretary Hagel's proposed amendment to Article 60, on which I and the Joint Chiefs of Staff provided recommendations, does not undercut the authority of convening authorities and commanders. Under the proposed amendment, the convening authority retains the responsibility for approving and enforcing the punishment for an individual convicted of a crime at court-martial. The proposed amendment also provides the convening authority the ability to modify findings for certain minor offenses when doing so is in the best interests of justice. Also, the requirement for a convening authority to explain his or her decision to modify an accused's sentence or to disapprove a finding of guilt for certain minor offenses promotes transparency and public trust in the military justice system. These changes should not be perceived as the result of a loss of faith in commanders but rather as positive developments that can be made due to the advanced professionalism of our system of military justice.

85. Senator INHOFE. Secretary Hagel and General Dempsey, despite Secretary Hagel's recent announcement that he has directed the DOD General Counsel to draft a change to Article 60 of the UCMJ that would limit existing authority of commanders to take post-trial action for military courts-martial, some Members of Congress believe you have not gone far enough and suggest that the public trust and confidence in the military justice system cannot be preserved unless military commanders are deprived of the discretion to dispose of offenses under the UCMJ, and to shift that responsibility to judge advocates. Do you agree that removing that authority from military commanders would be a fundamental change to the UCMJ and that it would undermine the ability of commanders at every level of the chain of command to maintain and sustain unit readiness, cohesiveness, and combat effectiveness?

Secretary HAGEL. Removing the authority of commanders to make disposition decisions regarding allegations of misconduct by members of their commands would be a fundamental change to military justice. Given the depth of the concerns about sexual assault, however, I believe that DOD must be open to considering all options to improve public trust and confidence in the military justice system. The panel required by section 576 of the NDAA for Fiscal Year 2013 (P.L. 112-239) is tasked to examine proposals to modify the role of commanders in the military justice system, and I look forward to the panel's assessment and recommendations.

General DEMPSEY. The Article 60 revision proposed by Secretary Hagel does not undercut the authority of a convening authority and serves as a well-crafted and refined proposal that will simply prohibit a convening authority from setting aside the findings of a court-martial except for a narrow group of qualified offenses. It also preserves the ability of the convening authority to enter into pretrial agreements, when appropriate, which provides a limitation on an accused's sentence in exchange for a guilty plea.

However, I do not support any revisions to the UCMJ that would remove the commander from the military justice system, or that would eliminate a commander's authority to take action on a court-martial sentence. The ability to punish is the bedrock of discipline, and the commander must have the authority to dispense punishment quickly, visibly, and under any conditions. It would send the wrong message to everyone in the military that there is a lack of faith in those officers selected to command. The commander is responsible and accountable for all that goes on in a formation, including health, welfare, safety, morale, discipline, and readiness to execute the mission.

I remain committed to working with Congress, the Secretary of Defense, and the Services to make further necessary amendments and revisions to the UCMJ. Any changes to the UCMJ must be carefully considered, as even minor changes could have unintended consequences that could negatively impact our system of justice.

ARTICLE 60 MODIFICATIONS

86. Senator INHOFE. Chairman Dempsey, we trust you to make decisions that may result in the loss of life in order to protect the Nation and accomplish the mission. Every day commanders must make decisions to correct underperformers with training or education, and, when necessary, to discipline troops or possibly relieve commanders. Ultimately, our Nation charges them, and you, with the responsibility to establish cohesive, mission-ready combat units. While we trust you with our sons' and daughters' lives, the proposed modifications to Article 60 of the UCMJ seem to suggest that we do not trust your discretion when it comes to UCMJ offenses. Do you, as a commander, consider the UCMJ as it is currently structured, to be a viable tool to help you maintain and enhance the cohesiveness and fighting capabilities of your combat units?

General DEMPSEY. Yes. I believe the UCMJ as currently structured to be an effective means to maintain and enhance the cohesiveness of military units, provide due process under the law, and preserve good order and discipline. It provides accountability at all times and places, in peace and in combat.

However, the UCMJ, while effective, is not perfect. We should always be searching for ways to improve our system of military justice. Reasonable changes to military justice system, such as the Article 60 revision proposed by Secretary Hagel, keep the UCMJ vibrant and fair to victims and to the accused. The proposed revision does not limit the current role of appellate courts, access to defense counsel, and significant post-trial involvement by convening authorities.

The NDAA for Fiscal Year 2013 requires a Response Systems Panel to conduct an independent review and assessment of the systems used to investigate, prosecute, and adjudicate crimes involving sexual assault and related offenses. I welcome the Panel's review of the effectiveness of the UCMJ and its strengths and weaknesses in dealing with sexual assault. I also welcome the opportunity to provide input regarding the important role commanders serve in the military justice system.

87. Senator INHOFE. Chairman Dempsey, have you seen any evidence that commanders are abusing their discretion as the convening authority to adjust sentencing?

General DEMPSEY. No. I have not seen any evidence that commanders are abusing their discretion as convening authorities to adjust sentencing.

It is critical that the convening authority retain the authority to reduce or suspend an adjudged sentence. This authority is essential for purposes of giving effect to plea bargains. Within the military justice system, a plea bargain is accomplished when an accused agrees to plead guilty in exchange for a cap on the maximum sentence the convening authority can approve. Removing the convening authority's ability to modify an adjudged sentence would eliminate that option and the efficiencies it affords. This authority is also critical to the commander's ability to act in the best interests of good order and discipline to prevent undue hardship or for reasons of military necessity.

88. Senator INHOFE. Chairman Dempsey, how would the proposed changes to the UCMJ impact your effectiveness as a commander?

General DEMPSEY. The Article 60 revision proposed by Secretary Hagel does not undercut the authority of a convening authority and serves as a well-crafted and refined proposal that will simply prohibit a convening authority from setting aside the findings of a court-martial except for a narrow group of qualified offenses. It also preserves the ability of the convening authority to enter into pretrial agreements, when appropriate, which provides a limitation on an accused's sentence in exchange for a guilty plea.

However, I oppose any revisions to the UCMJ that would remove the commander from the military justice system, or that would eliminate a commander's authority to take action on a court-martial sentence. The ability to punish is the bedrock of discipline, and the commander must have the authority to dispense punishment quickly, visibly, and under any conditions. It would send the wrong message to everyone in the military that there is a lack of faith in those officers selected to command. The commander is responsible and accountable for all that goes on in a for-

mation, including health, welfare, safety, morale, discipline, and readiness to execute the mission.

I remain committed to working with Congress, the Secretary of Defense, and the Services to make further necessary amendments and revisions to the UCMJ. Any changes to the UCMJ must be carefully considered, as even minor changes could have unintended, negative second- and third-order effects. Secretary Hagel's proposed revision to Article 60 received thorough review, and I am satisfied that it will not have unintended consequences that could negatively impact our system of military justice.

QUESTIONS SUBMITTED BY SENATOR DAVID VITTER

TOWER CLOSURES

89. Senator VITTER. Secretary Hagel, the Federal Aviation Administration (FAA) recently made the decision to close 149 Federal contact towers around the country beginning on April 7 as part of their plan to meet their obligations under sequestration. A few of these towers are situated near Air Force bases, such as the tower at the Shreveport Downtown Airport, which is located near the Barksdale Air Force Base. Did the FAA contact DOD when considering which towers to close or to coordinate their closing?

Secretary HAGEL. On February 26, 2013, the FAA requested that each Military Service determine the mission impacts of potential contractor-staffed tower closures. In response, each Service assessed towers within its purview. On March 19, 2013, the Deputy Secretary of Transportation contacted the Department and requested that DOD consolidate and validate each of the Services' lists and return a comprehensive DOD list to the Department of Transportation by March 21, 2013. The Acting Deputy Under Secretary of Defense for Installations and Environment—working with the Deputy Assistant Secretary of Defense for Readiness and the Deputy Assistant Secretary of Defense for Strategic and Tactical Systems—combined Service and departmental inputs into a list with tiered categories (based on the Transportation Department's standard approach) for approval by the Under Secretary of Defense for Acquisition, Technology, and Logistics. The approved list was transmitted to the Transportation Department on March 21, 2013. DOD's response identified 38 towers, the closure of which would result in a severe impact to operations.

90. Senator VITTER. Secretary Hagel, since many of these areas share the air space between the area airport and the adjacent Air Force bases, are there any safety concerns?

Secretary HAGEL. Although the Department does not anticipate that tower closures will significantly impact safety or increase the risk of collision, it will be important for all aviators operating in the affected areas to have an awareness of the changes that will occur subsequent to the closures. Specifically, operations at these airfields will migrate from positive control to uncontrolled operations once the towers close. In order to accommodate the introduction of uncontrolled operations, changes will likely be put in place to procedurally deconflict aircraft and mitigate risk. Additionally, a high emphasis will have to be placed on local aviation safety education programs, a robust mid-air collision avoidance program, and at other recurring safety awareness forums.

91. Senator VITTER. Secretary Hagel, is there an increased risk of collision or will there be any impact on mission readiness or training activities?

Secretary HAGEL. Although DOD does not anticipate the tower closures will significantly impact safety or increase the risk of a collision, it will be important for all aviators operating in the affected areas to have an awareness of the changes that will occur subsequent to the closures. Specifically, operations at these airfields will migrate from positive control to uncontrolled operations once the towers close. In order to accommodate the introduction of uncontrolled operations, changes will likely be put in place to procedurally deconflict aircraft and mitigate risk. Additionally, a high emphasis will have to be placed on local aviation safety education programs, a robust mid-air collision avoidance program, and at other recurring safety awareness forums.

In terms of Air Force readiness and training, the Air Force only anticipates possible impacts to Air Education and Training Command (AETC), the command whose mission it is to train pilots. AETC uses the airfields on the closure list for off-station pattern work because of on-station traffic congestion. According to AETC, the clo-

sure of these locations will drive increased risk due to uncontrolled airfield operations and could result in ceasing operations at these airfields, potentially affecting pilot production. These tower closures could be further complicated by the furlough of Air Force civilian air traffic controllers who make up approximately 45 percent of the AETC controller workforce. This will potentially drive decreased hours of operations or reduced services, i.e., combined air traffic control positions, et cetera, at our AETC bases. AETC continues to assess the changing complexion of the FAA landscape for impact and explore mitigations where possible.

92. Senator VITTER. Secretary Hagel, due to the suggested changes, is there potential negative impact on costs to the military and if so, is DOD taking any actions to remedy these concerns?

Secretary HAGEL. The military does not anticipate any increased monetary cost subsequent to the Federal contract tower closures.

QUESTIONS SUBMITTED BY SENATOR MIKE LEE

MISSILE DEFENSE

93. Senator LEE. Secretary Hagel, you announced last month that 14 additional Ground-Based Interceptors (GBI) will be deployed to the west coast as a reaction to North Korean provocations. This brings the numbers of GBIs to the number originally planned by the Bush administration and reduced by President Obama. Was the Russian Government consulted or informed by DOD or any other agency or representative of the U.S. Government that the United States was considering this before the decision was made?

Secretary HAGEL. Russia was not consulted or informed prior to this decision. The decision was made to strengthen protection of the United States from the growing North Korean threats.

94. Senator LEE. Secretary Hagel, when was the Russian Government notified of this decision to deploy the additional GBIs?

Secretary HAGEL. Russia was notified through my press conference announcement on March 15, 2013, following notifications to key allies. U.S. and Russian officials met the following week to discuss the announcement.

95. Senator LEE. Secretary Hagel, if DOD decided that additional missile defense systems needed to be deployed for the protection of the United States, domestically or around the world, would the Russian Government be consulted before the decision was made?

Secretary HAGEL. The United States will continue to discuss missile defense with Russia and explore opportunities for cooperation, but Russia will not be allowed to have a veto on U.S. missile defense plans, programs, or decisions. The President has made clear on numerous occasions that cooperation with Russia will not in any way limit U.S. or NATO missile defenses. The United States is committed to continue to develop and deploy missile defenses that are affordable and effective against projected threats.

96. Senator LEE. Secretary Hagel, Russian Defense Minister Sergey Shoygu stated in March that he expressed his desire to you to reconvene missile defense discussions with the United States. Are there any plans for these talks to take place and if so, will these talks include our NATO allies?

Secretary HAGEL. Yes, the United States plans to continue a long-running series of talks with Russia on potential missile defense cooperation. We are pursuing a bilateral U.S.-Russia dialogue, but U.S. officials regularly provide readout briefings to NATO allies on the substance of the discussions. The United States is committed to keeping allies informed at every step of the way. At the same time, we are also continuing to explore opportunities for missile defense cooperation in a multilateral setting via the NATO-Russia Council. In neither track will we accept limitations on U.S. missile defenses.

NORTH KOREA

97. Senator LEE. Secretary Hagel and General Dempsey, the President, Secretary Kerry, and Secretary Hagel, throughout the crisis on the Korean Peninsula, have been united in stating that North Korea will not be accepted as a nuclear power. However, North Korea conducted its third nuclear test in February and is vigorously

working to create a launching vehicle and suitable warhead. Do you believe current U.S. and United Nations sanctions will keep North Korea from developing a reliable nuclear weapon and delivery platform?

Secretary HAGEL. North Korea's continued attempts to advance its nuclear and ballistic missile programs constitute a threat to U.S. national security, to the security of U.S. allies in the region, and to international peace and security. Based upon its actions, North Korea will never be accepted as a nuclear power by the international community. The United States will continue to take steps to impede the growth of these programs, as well as to defend itself and its allies from the threat posed by North Korea, including through the U.S. extended deterrence commitments in the region.

General DEMPSEY. Changing North Korea's behavior will continue to require international cooperation and pressure. U.S. and U.N. sanctions remain essential components to a more comprehensive strategy to impact Pyongyang's calculus. The sanctions regime slows down and increases the development costs of a nuclear weapon and delivery systems. This is of particular consequence because North Korea obtains technology and material to develop their capability through illicit transactions. We need and expect our partners to fulfill their obligations to robustly implement the current U.N. sanctions regime.

98. Senator LEE. Secretary Hagel and General Dempsey, what can the United States do to further deter North Korea from development of these weapons when they have progressed this far already?

Secretary HAGEL. The United States and the Republic of Korea deter North Korean aggression every day and will continue to be prepared to defend against threats on the Korean Peninsula and in the region. The United States will strengthen its ongoing close coordination with allies and work with our Six-Party partners, the U.N. Security Council, and other U.N. member states to pursue firm action against North Korea's nuclear weapons program. We are also engaged in proliferation prevention activities across the globe, which seek to identify various networks used by North Korea to proliferate WMD and related capabilities. By disrupting these networks, we raise barriers to North Korea's acquisition efforts.

Although North Korea has demonstrated that it could pose a threat to regional stability and U.S. national security, the United States is fully prepared and capable of defending itself and its allies and partners with the full range of capabilities available, including the deterrence provided by both U.S. conventional and nuclear forces.

General DEMPSEY. The United States and the Republic of Korea deter North Korea from aggression every day and will continue to prepare to defend against threats on the Korean Peninsula and in the region. While North Korea has demonstrated that it is a threat to regional stability as well as U.S. national security, the United States is fully prepared and capable of defending itself and its allies with the full range of capabilities available, including the deterrence provided by both our conventional and nuclear forces.

99. Senator LEE. Secretary Hagel and General Dempsey, in spite of multiple warnings and sanctions from the United States and the world community over 2 decades, North Korea has successfully tested nuclear weapons and ballistic missiles. What message does this telegraph to Iran and other countries that seek their own nuclear weapons?

Secretary HAGEL. North Korea's pursuit of nuclear and ballistic missile programs do not make it secure. Far from achieving its stated goal of becoming a strong and prosperous nation, North Korea has instead become increasingly isolated, impoverishing its people through its ill-advised pursuit of WMD and their means of delivery. Other countries, like Iran, seeking nuclear weapons should take note of North Korea's experience.

General DEMPSEY. North Korea's actions risk creating a perception in Iran that possession of nuclear weapons may somehow guarantee regime survival. The history preceding North Korea's initial nuclear test highlights the importance of strengthening diplomacy with credible threats of military force. However, the scenarios differ within the frameworks of regional partnerships and international resolve, as well as regime behavior, where Iran's sponsorship of global terrorism and regional malign activities compound the international threat we are working to prevent.

AFGHANISTAN BUDGET

100. Senator LEE. Secretary Hagel and General Dempsey, at last Wednesday's news briefing on the defense budget, Under Secretary Robert Hale stated an answer to a question that the costs in Afghanistan were \$7 to \$10 billion higher this year than what we anticipated. This is very troubling in any environment, but especially under the constraints that DOD is currently under. Can you verify if this is correct, and account for such a massive underestimation?

Secretary HAGEL. DOD is experiencing higher-than-expected costs in war spending, because operating tempo in Afghanistan and transportation costs are higher than anticipated 2 years ago. The DOD's OCO request is a bottom-up budget preparation each year, and it is configured to support current military strategy and the commander's assessment of needs on the ground. However, the budget is prepared about 2 years in advance of when the funds are needed and sometimes fact-of-life adjustments (e.g., fuel price increases) and changes in strategy (e.g., retrograde of equipment due to adjustments in redeployment schedule) drive budget shortfalls.

The O&M portion of DOD's fiscal year 2013 OCO request is understated based on emerging requirements identified above. DOD has submitted a reprogramming action that, if approved, should mitigate these shortfalls.

General DEMPSEY. DOD's operating tempo and transportation costs in Afghanistan are higher than we anticipated when we developed the fiscal year 2013 OCO submission. Our efforts to responsibly drawdown troop strength in Afghanistan require oversight, logistics support, base closure expertise, and environmental inspections/controls, most of which were not included in the fiscal year 2013 OCO request. Finally, we could not predict the higher retrograde costs due to the slow reopening of the Pakistan ground routes.

DOD will submit a reprogramming action to Congress to largely offset war-related costs and avoid adverse effects on our wartime operations. The \$7.5 billion in transfer authority provided in fiscal year 2013 will allow us to request some relief for the situation in which we find ourselves this year.

101. Senator LEE. As the United States and Afghanistan negotiate for a troops presence in that country, can we continue to expect miscalculations similar to those referenced to in the previous question in the future?

Secretary HAGEL. I hope not, but, the DOD OCO request is a bottom-up budget preparation each year, and it is configured to support current military strategy and the commander's assessment of needs on the ground. However, the budget is prepared about 2 years in advance of when the funds are needed and sometimes fact-of-life adjustments (e.g., fuel price increases) and changes in strategy (e.g., retrograde of equipment due to adjustments in redeployment schedule) drive budget shortfalls.

The O&M portion of DOD's fiscal year 2013 OCO request is understated based on emerging requirements identified above. DOD submitted a reprogramming action that, if approved, should mitigate these shortfalls.

General DEMPSEY. DOD uses the best assumptions possible to budget for OCO requirements, but the situation in the field continues to evolve. Higher than anticipated execution costs for fiscal year 2013 are associated with operational tempo and transportation costs.

As we move toward a responsible drawdown, the budget will not come down proportionately to the forces in U.S. Central Command's area of responsibility because our in-theater strength continues to support operations such as intelligence collection, which does not decrease proportionately to troop levels. DOD's reset costs will also continue beyond the drawdown timeframe. DOD strives to project these costs appropriately, but year of execution adjustments will always be necessary.

[Whereupon, at 1:27 p.m., the committee adjourned.]