

RECORD VERSION

STATEMENT BY

THE HONORABLE JOHN M. MCHUGH
SECRETARY OF THE ARMY

AND

GENERAL RAYMOND T. ODIERNO
CHIEF OF STAFF
UNITED STATES ARMY

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INTRODUCTION

America's Army remains heavily committed in operations overseas as well as at home in support of our Combatant Commanders. More than 66,000 U.S. Army Soldiers are deployed to contingency operations, with nearly 32,000 Soldiers supporting operations in Afghanistan. In addition, there are approximately 85,000 Soldiers forward stationed across the globe in nearly 150 countries worldwide. Every day, the Soldiers and Civilians of the Active Army, Army National Guard and Army Reserve inspire us with their competence, character and commitment to serving our Nation. A typical day for our Soldiers may include patrolling alongside our Afghan National Army partners, standing watch on the DMZ in Korea, manning missile batteries in Turkey and Guam, delivering humanitarian relief to the Philippines, conducting logistics training in Sierra Leone, securing facilities in South Sudan and responding to floods, wildfires and tornados across the United States.

The Army's Strategic Vision

The All-Volunteer Army will remain the most highly trained and professional land force in the world. It is uniquely organized with the capability and capacity to provide expeditionary, decisive land power to the Joint Force and ready to perform across the range of military operations to Prevent, Shape and Win in support of Combatant Commanders to defend the Nation and its interests at home and abroad, both today and against emerging threats.

Throughout our Nation's history, the United States has drawn down military forces at the close of every war. Today, however, we are in the process of rapidly drawing down Army forces before the war is over. At the same time, we continue to face an uncertain, complicated and rapidly changing international security environment, as stated in the 2014 Quadrennial Defense Review. In light of domestic fiscal challenges, the Army is committed to doing its part to restore fiscal discipline and contribute to our Nation's economic strength. In a time of budget stringency, the Army's greatest challenge is providing steadfast support to worldwide operational commitments to include Afghanistan while simultaneously drawing down, reorganizing and preparing the force for a wider array of security missions and threats in the future. We are committed to ensure the U.S. Army remains the most highly trained and professional land force in the world.

Together, we must ensure our Army is trained and ready to prevent conflict, shape and set theaters for our geographic Combatant Commanders, deter aggression, and if necessary, win decisively in a sustained major combat operation. However, over the last two years, the impact of the Budget Control Act (BCA) of 2011 has resulted in declining readiness throughout the Total Army (Active Army, Army National Guard and Army Reserve).

BUDGETARY REDUCTIONS AND STRATEGIC CHOICES

Over the past four years, the Army has absorbed several budget reductions in the midst of conducting operations overseas and rebalancing the force to the wider array of missions required by 2012 Defense Strategic Guidance. To comply with the funding caps specified in the BCA, the FY 13 Budget proposed \$487 billion in DOD funding reductions over 10 years, of which the Army's share was an estimated \$170 billion. In addition, sequestration was triggered in 2013, forcing an additional \$37 billion reduction in FY 13 and threatening a further total reduction in DOD funding of

approximately \$375 billion through FY 21, with the Army's portion estimated at \$95 billion. In FY 13, a combination of sequestration and overseas contingency operations funding shortfalls degraded Army readiness levels. It caused the Army to carry over a readiness shortfall of \$3.2 billion to FY 14.

The Army continues to face an uncertain fiscal environment in the years ahead. The Bipartisan Budget Act (BBA) of 2013 provides the Army modest, temporary relief from BCA defense spending caps in 2014. The predictability afforded by known budget levels is appreciated, and the BBA supports an FY 15 Army funding level of \$120.5 billion. However, the Army still faces budget cuts of \$7.7 billion in FY 14, and an additional \$12.7 billion in FY 15, when compared to the President's FY 14 Budget request. While we welcome the relief and predictability that the BBA provides, the Army will be forced to cut \$20.4 billion in planned funding, an abrupt reduction over a short two-year period of time. Beyond FY 15, fiscal uncertainty remains, including the potential resumption of the sequestration-level spending caps in FY 16.

During this period of uncertainty in the fiscal and strategic environment, our goal has been to maintain the proper balance between end strength, readiness and modernization across the Total Army. We are reducing end strength as rapidly as possible, while still meeting our operational commitments, in order to concentrate remaining funds on rebuilding readiness. However, to do this we must accept greater risk in our modernization programs. To rebuild and sustain a force capable of conducting the full range of operations on land, to include prompt and sustained land combat, it is essential that we take steps to prevent hollowness within the force. Therefore, consistent with the 2012 Defense Strategic Guidance, we are in the process of drawing down Active Army end strength from a wartime high of 570,000 to 490,000—a 14 percent cut—by the end of FY 15. The Army National Guard will reduce from 358,200 to 350,200 and the Army Reserve will remain relatively constant, decreasing from 205,000 to 202,000 Soldiers. In conjunction with these end strength reductions,

the Army decided to reorganize the current operational force of Active Army Infantry, Armored and Stryker Brigade Combat Teams (BCTs) from 38 to 32. This force structure reorganization will allow us to eliminate excess headquarters infrastructure while sustaining as much combat capability as possible.

The FY 15 Budget request provides a balanced and responsible way forward in the midst of ongoing fiscal uncertainty. It allows the Army to reduce and reorganize force structure, but incurs some risk to equipment modernization programs and readiness. Under the FY 15 Budget request, the Army will decrease end strength through FY 17 to a Total Army of 980,000 Soldiers—450,000 in the Active Army, 335,000 in the Army National Guard and 195,000 in the Army Reserve. This reduction will also adjust the force mix ratio between the active and reserve components. We will reverse the force mix ratio, going from a 51 percent active component and 49 percent reserve component mix in FY 12 to a 54 percent reserve component and 46 percent active component mix in FY 17. The Army will be able to execute the 2012 Defense Strategic Guidance at this size and component mix, but it will be at significant risk.

But with sequestration-level caps in FY 16 and beyond the Army will be required to further reduce Total Army end strength to 420,000 in the Active Army, 315,000 in the Army National Guard and 185,000 in the Army Reserve by the end of FY 19. This would end up being a total reduction of 213,000 Soldiers with 150,000 coming from the Active Army, 43,000 coming from the Army National Guard and 20,000 from the Army Reserve. This includes a 46 percent reduction in Active Army BCTs and a 21 percent reduction in Army National Guard BCTs. Sequestration-level spending caps would also require a 25 percent reduction to Army modernization accounts, with no program unaffected. Major weapon programs will be delayed, severely impacting the industrial base both in the near and long term. Most significantly, these projected end strength levels would not enable the Army to execute the 2012 Defense Strategic Guidance.

For the next 3 years, as we continue to draw down and restructure into a smaller force, the Army will continue to have degraded readiness and extensive modernization program reductions. Under the President's Budget, we will begin to regain balance between end strength, modernization and readiness beyond FY 17. Our goal would be to achieve balance by the end of FY 19 with 450,000 Soldiers in the Active Army, 335,000 in the Army National Guard and 195,000 in the Army Reserve.

Under sequestration-level spending caps, from FY 19 to FY 23 the Army will begin to establish the appropriate balance between readiness, modernization and end strength, albeit for a much smaller Army at 420,000 Soldiers in the Active Army, 315,000 in the Army National Guard and 185,000 in the Army Reserve. We will stabilize our end strength and force structure. From FY 20 to FY 23 we would begin achieving our readiness goals and reinvesting in modernization programs to upgrade our aging fleets. Our goal is to achieve balance by FY 23. The reduction in our institutional base will make reversibility significantly more difficult. Finally, the size of our Army at this level of funding will not allow us to execute the Defense Strategic Guidance and will put in doubt our ability to execute even one prolonged, multi-phased major contingency operation.

LEADER DEVELOPMENT

Developing adaptive Army leaders who possess the individual toughness, battlefield skill and fighting spirit that typify the American Soldier is one of our highest priorities. The unpredictable nature of human conflict requires leaders to not only lead in close combat but understand the operational and strategic environment, to include its socio-economic, cultural and religious underpinnings. Our leaders must demonstrate the competence, proficiency and professional values necessary to achieve operational and strategic mission success. We must continue to educate and develop Soldiers and Civilians to grow the intellectual capacity to understand the complex contemporary

security environment to better lead Army, Joint, Interagency and Multinational task forces and teams. Therefore, we will reinvest and transform our institutional educational programs for officers and noncommissioned officers in order to prepare for the complex future security environment.

We will continue to build leaders who exhibit the character, competence and commitment that are hallmarks of the Army Profession. We are aggressively and comprehensively reinforcing our core values and ethical leadership throughout all unit and institutional training, leader development programs and professional military education. We will also transition to a new officer evaluation system that strengthens accountability and emphasizes the evaluation of character attributes and competencies. We have completed a 360-degree assessment pilot for all battalion and brigade commanders, which will be fully institutionalized across the force in 2014. We will continue peer assessments for all general officers and will institute 360-degree assessments for all general officers upon promotion to each general officer rank.

Today, our leaders are the most competent and operationally experienced since World War II. We must build on this incredible experience to develop leaders who can operate in an ever-changing, complex strategic environment, understanding the implications of critical thinking, rapid communications and cyber warfare as it relates to combined arms maneuver, irregular warfare and counterinsurgency operations.

THE ARMY: GLOBALLY RESPONSIVE, REGIONALLY ENGAGED STRATEGIC LAND FORCES

There is no more unambiguous display of American resolve than the deployment of the American Soldier. As part of the Joint Force, the Army deters potential adversaries by presenting a credible element of national power: landpower that is decisively expeditionary and strategically adaptive. The Army possesses a lethal

combination of capability and agility that strengthens U.S. diplomacy and represents one of America's most credible deterrents against hostility. If necessary, a ready Army can defeat or destroy enemy forces, control land areas, protect critical assets and populations and prevent the enemy from gaining a position of operational or strategic advantage. Ultimately, potential adversaries must clearly perceive Army forces as being capable of appropriate and rapid response anywhere in the world and across the entire range of military operations, from stability operations to general war.

A ready and capable Total Army provides Joint and Combined forces with expeditionary and enduring landpower for the full range of military operations. Regionally aligned Army forces provide direct support to geographic and functional combatant commands. Army forces are tailorable and scalable, prepared to respond rapidly to any global contingency mission. The Army maintains a responsive force posture through an effective mix of Total Army capabilities and network of installations at home and abroad, to include Army prepositioned stocks. The Army National Guard and Army Reserve provide predictable, recurring and sustainable capabilities and strategic depth. Rapidly deployable Army forces, to include airborne forces, are able to respond to contingencies and conduct forcible entry operations anywhere in the world on short notice. Army prepositioned equipment across the globe also enables the rapid air deployment of Army combat and support forces.

Missions as a Member of the Joint Force

As an interoperable member of the Joint Force, the Army sets the theater for Combatant Commanders by providing unique capabilities en route to, and operating within, austere environments to support all plans and contingencies. These capabilities include special operations and ground forces, operational leadership and mobility, and critical enablers such as aviation, missile defense, intelligence, engineers, logistics, inland ground transportation infrastructure, medical and signal/communications.

The Army provides the Joint Force versatility across the full range of military operations, underpinning operational and strategic reach through the full length of a campaign, often in contested environments. Effective joint operations require Army ground combat forces and Army critical enablers. A significant portion of the Army's force structure is devoted to enabling the Joint Force as well as our Multinational and Interagency partners.

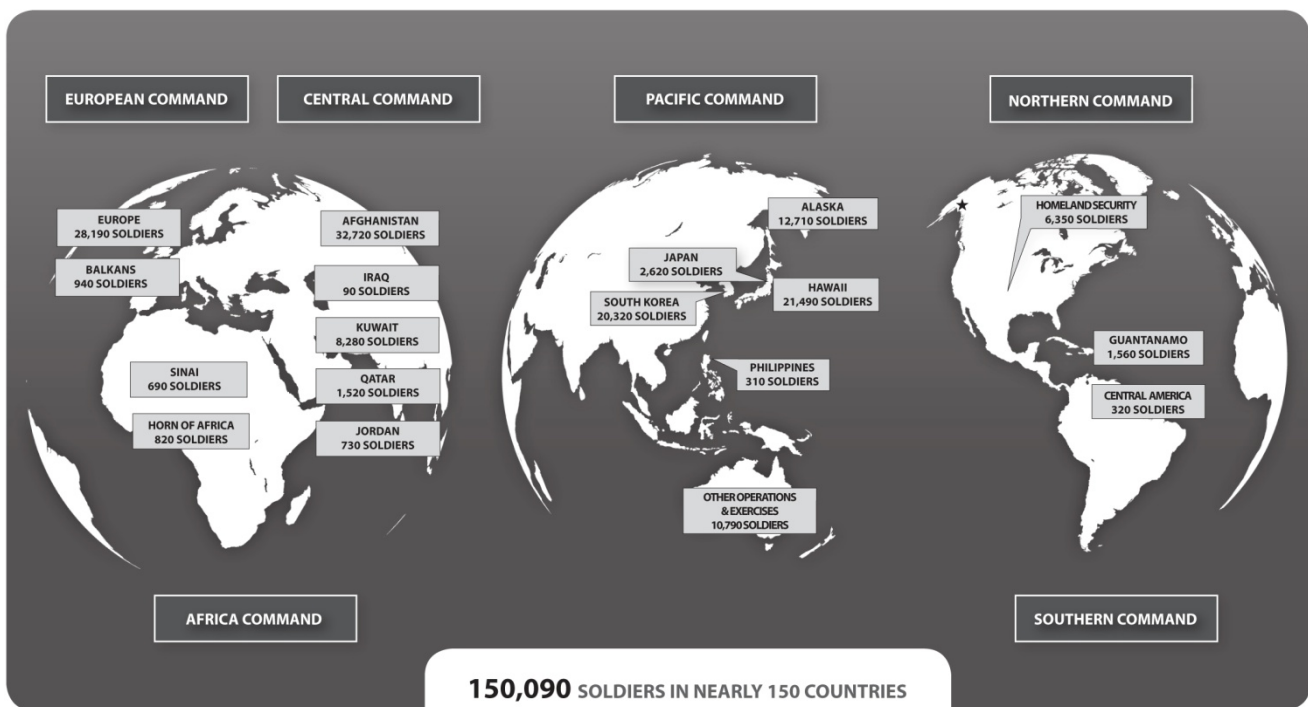
We provide a variety of Joint Task Force headquarters certified and trained to lead Joint Forces, plan operations and exercise mission command of units across the full range of military operations. We provide strategic, operational and tactical logistics, worldwide engineering support and intelligence capabilities, as well as space-based and terrestrial command and control networks that connect our own units, the Joint community, and Interagency and Multinational partners. The Army is also investing in emerging and evolving missions such as operations in cyberspace and countering weapons of mass destruction. For example, we continue to develop and field cyber mission forces that enable the success of our national mission force, combatant commands and Army land forces.

Regionally Aligned Forces

The Army is regionally aligning forces in support of the geographic and functional combatant commands. These forces provide deployable and scalable regionally-focused Army forces task organized for direct support of geographic and functional combatant commands and Joint requirements. Forward stationed Army forces in the Republic of Korea, Japan and Europe, along with Army units based in the United States are aligned with combatant commands. These forces shape and set theaters for regional commanders employing unique Total Army characteristics and capabilities to influence the security environment, build trust, develop relationships and gain access through rotational forces, multilateral exercises, military-to-military engagements, coalition training and other opportunities.

Army forces strengthen alliances and ensure collective capability while building capacity and serving common interests. In many regions of the world, Army military-to-military relationships have enabled the U.S. to remain a trusted and welcome partner over the years. The Army's Special Forces Groups provide extraordinary regional expertise and unique capabilities, as well as years of experience, to the combatant commands. The Army National Guard, through the State Partnership Program, maintains long-term partnerships worldwide.

SOLDIERS DEPLOYED AND FORWARD STATIONED



We are expanding regional alignment of the Total Army as the drawdown in Afghanistan continues and additional formations become available. The Army's first regionally aligned BCT—the 2nd Brigade, 1st Infantry Division stationed at Fort Riley, Kansas—began actively supporting U.S. Africa Command in March 2013 and has conducted over 70 missions, from crisis response to security cooperation, in more than 30 countries. 1st Infantry Division headquarters, building upon the initial success of its 2nd Brigade and aligned with U.S. Africa Command, is planning a Libyan General

Purpose Force training mission. The 48th Infantry BCT, Georgia Army National Guard, is aligned with U.S. Southern Command and has deployed teams to several Central and South American countries. The Fort Hood-based 1st BCT, 1st Cavalry Division, aligned with U.S. European Command, participated in multilateral exercises and training as the primary U.S. land force contribution to the NATO Response Force.

About 80,000 active and reserve component Soldiers are postured to support operations and engagements in the Asia-Pacific region. I Corps, stationed at Joint Base Lewis-McChord, Washington, and assigned to U.S. Pacific Command, provides deployable mission command capability for contingencies and enhances an already strong Army presence in the Asia-Pacific region. The Army maintains a Terminal High Altitude Area Defense battery deployed to Guam, defending our allies and supporting the Pacific theater's ballistic missile defense posture. During FY 13, U.S. Army Pacific conducted 28 large-scale exercises with 13 countries. Soldiers also conducted security cooperation engagements with 34 countries in the Asia-Pacific region.

During FY 13, a total of more than 109,000 Soldiers deployed in support of operations in Afghanistan. More than 4,300 Soldiers supported Operation Spartan Shield, our ongoing effort to maintain stability in the region and reassure our allies and partners in U.S. Central Command's area of responsibility. In addition, during FY 13 more than 2,200 Soldiers participated in seven exercises in the region. III Corps, stationed at Fort Hood, Texas, and 1st Armored Division headquarters, stationed at Fort Bliss, Texas, are both aligned with U.S. Central Command. In June 2013 the 1st Armored Division headquarters deployed to Jordan, providing mission command for several regional exercises and conducting training with allied and partner forces.

Missions at Home and Support of Civil Authorities

The Total Army defends the Homeland and supports civil authorities for a variety of complex missions. Soldiers from the active and reserve components are engaged in the Homeland on a daily basis, in capacities ranging from personnel serving as defense coordinating officers in support of the Federal Emergency Management Agency to U.S. Army North leading and coordinating Army missions in support of civil authorities. The Army stands ready to conduct a no-notice response in support of civil authorities, particularly for a complex catastrophe that may require the employment of a significant Army force. The Total Army also provides the preponderance of forces for the Department of Defense's Chemical, Biological, Radiological and Nuclear Response Enterprise. Army National Guard air and missile defense units protect our Nation's Capital and provide manning for Ground-based Midcourse Defense systems deployed in Alaska and Colorado that will deter and defeat missile attacks on our Nation. Soldiers support Federal drug enforcement efforts along our Nation's southern border every day.

Over the past year, the Army responded to natural disasters in the United States with sustained, life-saving support. The Army National Guard conducted firefighting operations in several Western States. In September 2013, active and reserve component Soldiers provided rapid assistance when severe storms caused devastating floods and landslides in northern Colorado. A team of about 700 Soldiers from the Colorado and Wyoming Army National Guard, as well as the Active Army's 4th Infantry Division stationed at Fort Carson, Colorado, evacuated more than 3,000 displaced residents. Soldiers and Civilians from the U.S. Army Corps of Engineers also supported operations in Colorado, and continue to support ongoing national efforts to restore critical infrastructure following Hurricane Sandy.

ENSURING A READY ARMY

A trained and ready Army must be able to rapidly deploy, fight, sustain itself and win against complex state and non-state threats in austere environments and rugged terrain. Readiness is measured at both the service and unit levels. Service readiness incorporates installations and the critical ability of the Army to provide the required capacities (units) with the requisite capabilities (readiness) to execute the roles and missions required by combatant commands. Unit readiness is the combination of personnel, materiel and supplies, equipment and training that, when properly balanced, enables immediate and effective application of military power.

Training

Training across the Total Army serves two main purposes: preparing units to support combatant commands worldwide and developing leaders who can adapt to the complex security environment. To meet demands across the full range of military operations, the Army will shift the focus of training on rebuilding war fighting core competencies. We are reinvigorating our Combat Training Centers (CTCs), to challenge and certify Army formations in a comprehensive and realistic decisive action training environment that features regular, irregular and insurgent enemy forces. Tough, realistic multi-echelon home station training using a mix of live, virtual and constructive methods efficiently and effectively builds Soldier, leader and unit competency over time.

From 2004 to 2011, all CTC rotations were focused on building readiness for assigned missions in a counterinsurgency environment. This shift impacted 5,500 company commanders, 2,700 field grade officers and 1,000 battalion commanders. Recognizing this atrophy in readiness for the full range of military operations, the Army returned to conducting decisive action CTC rotations in 2011, with a plan to cycle nearly all Active Army BCTs by the end of FY 15 along with the requisite amount of available

Army National Guard BCTs. However, due to sequestration, the Army canceled seven CTC rotations in 2013 and significantly reduced home station training, negatively impacting the training, readiness and leader development of more than two divisions' worth of Soldiers. Those lost opportunities only added to the gap created from 2004 to 2011, creating a backlog of professional development and experience.

The BBA allows us to remedy only a fraction of that lost capability. Even with increased funding, in FY 14 the Army will not be able to train a sufficient number of BCTs to meet our strategic requirements. Seventeen BCTs were originally scheduled to conduct a CTC rotation during FY 14. BBA-level funding enables the addition of another two BCT rotations, for a total of 19 for the fiscal year. However, due to the timing of the additional funding, some BCTs were still unable to conduct a full training progression before executing a CTC rotation. Without the benefit of sufficient home station training, BCTs begin the CTC rotation at a lower level of proficiency. As a result, the CTC rotation does not produce the maximum BCT capability, in terms of unit readiness. For BCTs that do not conduct a CTC rotation, we are using available resources to potentially train these formations up to only battalion-level proficiency.

The Army can currently provide only a limited number of available and ready BCTs trained for decisive action proficiency, which will steadily increase through FY 14 and the beginning of FY 15. But with potential sequestration in FY 16, readiness will quickly erode across the force. We must have predictable, long-term, sustained funding to ensure the necessary readiness to execute our operational requirements and the Defense Strategic Guidance.

Fiscal shortfalls have caused the Army to implement tiered readiness as a bridging strategy until more resources become available. Under this strategy, only 20 percent of operational forces will conduct collective training to a level required to meet

our strategic requirements, with 80 percent of the force remaining at a lower readiness level. Forward stationed forces in the Republic of Korea will remain ready, as will those dedicated as part of the Global Response Force. Forces deployed to Afghanistan are fully trained for their security assistance mission but not for other contingencies. The Army is also concentrating resources on a contingency force of select Infantry, Armored and Stryker BCTs, an aviation task force and required enabling forces to meet potential unforeseen small scale operational requirements. Unless Army National Guard and Army Reserve units are preparing for deployment, the Army will only fund these formations to achieve readiness at the squad, team and crew level.

Force Structure

We have undertaken a comprehensive reorganization of Army units to better align force structure with limited resources and increase unit capability. Unit reorganizations are necessary to begin balancing force structure, readiness and modernization. However, when combined with reduced funding and operational demand, the pace of force structure changes will reduce our ability to build readiness across the force during FY 14 and FY 15.

Reorganization of the current operational force of Active Army Infantry, Armored and Stryker BCTs from 38 to 32 reduces tooth to tail ratio and increases the operational capability of the remaining BCTs. All Active Army and Army National Guard BCTs will gain additional engineer and fires capability, capitalizing on the inherent strength in combined arms formations. Initially, 47 BCTs (29 Active Army and 18 Army National Guard) will be organized with a third maneuver battalion. The remaining 13 BCTs (3 Active Army and 10 Army National Guard) will be reevaluated for possible resourcing of a third maneuver battalion in the future.

Following a comprehensive review of our aviation strategy, the Army has determined that it must restructure aviation formations to achieve a leaner, more efficient and capable force that balances operational capability and flexibility across the Total Army. We will eliminate older, less capable aircraft, such as the OH-58 A/C Kiowa, the OH-58D Kiowa Warrior and the entire fleet of TH-67 JetRangers, the current trainer. The Army National Guard will transfer low-density, high-demand AH-64 Apache helicopters to the Active Army, where they will be teamed with unmanned systems for the armed reconnaissance role as well as their traditional attack role. The Active Army in turn will transfer over 100 UH-60 Blackhawk helicopters to the Army National Guard. These aircraft will significantly improve capabilities to support combat missions and increase support to civil authorities, such as disaster response, while sustaining security and support capabilities to civil authorities in the states and territories.

The Army will also transfer nearly all Active Army LUH-72 Lakota helicopters to the United States Army Aviation Center of Excellence at Fort Rucker, Alabama, and procure an additional 100 LUH-72 Lakotas to round out the training fleet. These airframes will replace the TH-67 JetRanger helicopter fleet as the next generation glass cockpit, dual engine training helicopter. At current funding levels, this approach will enable the Army National Guard to retain all of its LUH-72 aircraft for general support requirements as well as ongoing border security operations. The Aviation Restructure Initiative allows us to sustain a modernized fleet across all components and reduces sustainment costs. Eighty-six percent of the total reduction of aircraft (687 of 798) will come out of the active component. The Active Army's overall helicopter fleet will decline by about 23 percent, and the Army National Guard's fleet of helicopters will decline by approximately eight percent, or just over 100 airframes. The resulting active and reserve component aviation force mix will result in better and more capable formations which are able to respond to contingencies at home and abroad.

SOLDIERS, CIVILIANS AND OUR FAMILIES: THE PREMIER ALL-VOLUNTEER ARMY

Trust is the foundation of military service. An individual's choice to serve, whether enlisting or reenlisting, depends on a strong bond of trust between the volunteer, the Army and the Nation. Soldiers need to know that the Nation values their service and will provide them with the training, equipment and leadership necessary to accomplish their mission. They also want to know that their Families will enjoy a quality of life that is commensurate with their service and sacrifice. For that reason, one of our top priorities as we make the transition from war and drawdown the Army—regardless of fiscal challenges—must be the welfare, training and material resources we put toward maintaining the trust of our Soldiers, Civilians and their Families.

Ready and Resilient Campaign

Perhaps nothing exemplifies the idea of trust more than President Abraham Lincoln's second inaugural address when he called upon the Nation to care for those who have borne the burdens of battle and their Families. The effects of deploying are sometimes severe and lifelong. As a result, the continued care and treatment of Soldiers and their Families is a lasting priority. Yet even as we work to recover and rehabilitate those most severely affected by two wars, we know that an ever increasing portion of our Army has not faced warfare. Understandably, they have new and different challenges. In both cases, Army readiness is directly linked to the ability of our force to deal with personal, professional and unforeseen health concerns, such as mental and physical challenges. We must also begin to view health as more than simply health care, and transition the Army to an entire system for health that emphasizes the performance triad—sleep, activity and nutrition—as the foundation of a ready and resilient force.

The Ready and Resilient Campaign, launched in March 2013, serves as the focal point for all Soldier, Civilian, and Family programs and promotes an enduring, holistic

and healthy approach to improving readiness and resilience in units and individuals. The campaign seeks to influence a cultural change in the Army by directly linking personal resilience to readiness and emphasizing the personal and collective responsibility to build and maintain resilience at all levels. The campaign leverages and expands existing programs, synchronizing efforts to eliminate or reduce harmful and unhealthy behaviors such as suicide, sexual harassment and assault, bullying and hazing, substance abuse and domestic violence. Perhaps most importantly, the campaign promotes positive, healthy behaviors while working to eliminate the stigma associated with asking for help.

Sexual Harassment / Assault Response and Prevention (SHARP) Program

The Army is an organization built on and bound by values. Sexual harassment and assault in all its forms is abhorrent to every one of those values. Simply put, sexual assault is a crime that will not be tolerated. The overwhelming majority of Soldiers and Civilians serve honorably and capably, but we must recognize that the ill-disciplined few jeopardize the safety of all our people as well as the trust and confidence the American people have in their Army.

Army actions to combat sexual assault and harassment are driven by five imperatives. First, we must prevent offenders from committing crimes, provide compassionate care for victims and protect the rights and privacy of survivors. Second, we must ensure that every allegation is reported, it is thoroughly and professionally investigated, and we must take appropriate action based on the investigation. Third, we shall create a positive climate and an environment of trust and respect in which every person can thrive and achieve their full potential, and continually assess the command climate. Fourth, we will hold every individual, every unit and organization and every commander appropriately accountable for their behavior, actions and inactions. Finally, the chain of command must remain fully engaged—they are centrally responsible and

accountable for solving the problems of sexual assault and sexual harassment within our ranks and for restoring the trust of our Soldiers, Civilians and Families.

Our goal is to reduce and ultimately eliminate this crime from our ranks. To underscore the importance of the chain of command's role in preventing sexual assault, the Army now includes command climate and SHARP goals and objectives in all officer and non-commissioned officer evaluations and unit command climate surveys. Accountability is reinforced by training and education on the appropriate behaviors, actions and reporting methods. The Army has integrated SHARP training into every professional development school, making sure it is tailored to roles and responsibilities appropriate to each course's population.

We are making progress, particularly on reporting and investigating these incidents. Over the past year the Army expanded the Special Victim Capability Program to include 23 special victim prosecutors, 22 sexual assault investigators and 28 special victim paralegals at 19 installations worldwide. These professionals are trained in the unique aspects of investigating and prosecuting sexual assault cases. We have also trained 81 active and 24 reserve component judge advocates through our Special Victim Counsel Program, which was established in September 2013. As of December 2013, 241 victims had received over 1,443 hours of legal services from these specially-trained counsel, including appearances at Article 32 hearings and courts-martial.

Army commanders, advised by judge advocates, continue to take the most challenging cases to trial, including cases that civilian authorities have declined to prosecute. For cases in which the Army had jurisdiction over the offender and a final disposition was made, commanders prosecuted rape and sexual assault at a rate more than double the estimated average prosecution rates in civilian jurisdictions. The Army also provides sexual assault patients with expert, emergency treatment for their

immediate and long-term needs. Regardless of evidence of physical injury, all patients presenting to an Army medical treatment facility with an allegation of sexual assault receive comprehensive and compassionate medical and behavioral health care.

Sexual assault is antithetical to competent command, and it is important that commanders retain their authority over the disposition of sexual assault cases. Removal of that authority would make it harder to respond to the needs of Soldiers within the command, especially the victims. Many of the Army's most difficult problems—such as integration—were solved by making commanders more accountable, not less. Therefore the Army opposes legislative efforts to remove commanders from the disposition process.

Suicide Prevention

The Army Suicide Prevention Program, part of the Ready and Resilient Campaign, has significantly enhanced our understanding of one of our greatest challenges: the loss of Soldiers to suicide. The Army has expanded and increased access to behavioral health services and programs that develop positive life-coping skills. A comprehensive education and training program is helping Soldiers, Civilians and Family members improve their ability to cope with stress, relationships, separations, deployments, financial pressures and work-related issues. The goal is to increase resiliency and, just as important, access to support. Our Suicide Reduction Working Group provides a forum for stakeholders to collaborate on initiatives that mitigate high-risk behaviors. The Army continues to revise and create policy to promote and increase awareness of prevention and intervention skills, services and resources. We have seen an aggregate drop in suicides, and while not a declaration of success, it is a leading indicator that our resiliency efforts are starting to take hold across the force.

Role of Women in the Army

Women continue to play an important role in making our Army the best in the world. We are validating occupational standards for integrating women into all career fields. By reinforcing universal standards for each Soldier—regardless of gender—in a deliberate, measured and responsible manner we increase unit readiness, cohesion and morale while allowing for qualification based on performance, not gender, across our profession.

Army Training and Doctrine Command is leading our effort with the Soldier 2020 initiative, which seeks to ensure we select the best Soldiers for each military occupational specialty, regardless of gender. It is a standards-based, holistic and deliberate approach that uses scientific research to clearly define physical accession standards based on mission requirements for each Army occupation. Simultaneously, we are conducting an extensive study to identify the institutional and cultural factors affecting gender integration, to develop strategies for the assimilation of women into previously restricted units. An important part of that process will be to ensure we have a qualified cadre of female leaders, both officers and noncommissioned officers, in place prior to the introduction of junior female Soldiers to serve as role models and provide mentorship during this transition.

During the last year the Army opened approximately 6,000 positions in 26 BCTs, select aviation specialties in special operations aviation and approximately 3,600 field artillery officer positions. The Army anticipates opening an additional 33,000 previously closed positions during FY 14.

Recruitment and Retention

The Army is defined by the quality of the Soldiers it recruits and retains. We are only as good as our people, and recruiting standards and reenlistment thresholds

remain high. During FY 13, 98 percent of the Army's recruits were high school graduates, exceeding our goal of 90 percent. We are also on track to achieve retention rates consistent with the past 3 years. The need to recruit and retain high-quality Soldiers will only grow in importance as we continue to draw down our forces.

Unfortunately, natural attrition alone will not achieve the Army's reduced end strength requirements. Inevitably, the Army will not be able to retain good Soldiers on active duty who have served their Nation honorably. The Army must responsibly balance force shaping across accessions, retention, and promotions, as well as voluntary and involuntary separations. During FY 13, the Army reduced accessions to the minimum level needed to sustain our force structure, achieve end strength reductions and reestablish highly competitive but predictable promotion opportunity rates. The Army also conducted Selective Early Retirement Boards for lieutenant colonels and colonels and, likewise, a Qualitative Service Program for staff sergeants through command sergeants major, all aimed at achieving 490,000 Active Army end strength by the end of FY 15. During FY 14 the Army will conduct Officer Separation Boards and Enhanced Selective Early Retirement Boards for qualified majors and captains. We remain committed to assisting Soldiers and their Families as they depart Active Army formations and transition to civilian life, and we encourage continued service in the Army National Guard or Army Reserve.

Role of the Army Civilian

As the Army evolves so too must its civilian workforce, which will also draw down concurrent with reductions to military end strength. Army Civilians will reduce from a wartime high of 285,000 to 263,000 by the end of FY 15. As the civilian workforce is downsized, we will do it smartly, focusing on preserving the most important capabilities. This requires a broader strategy that links functions, funding and manpower to produce the desired civilian workforce of the future—one that fully supports the generation of trained and ready combat units. The Army will manage the civilian workforce based on

workload and funding available. We will use all available workforce shaping tools such as Voluntary Early Retirement Authority and Voluntary Separation Incentive Pay to reduce turbulence in our civilian workforce. We will target the skills we need to retain, and voluntarily separate those with skills no longer needed. If we cannot achieve our Army Civilian reduction goals by voluntary means, we will use Reduction in Force as a last resort.

The possibility of future reductions only adds to the burdens we've placed on Army Civilians in recent years. Last year, the Army furloughed more than 204,000 civilian employees, forcing them to take a 20 percent reduction in pay for six weeks during the fourth quarter of FY 13. Furloughs came on the heels of three years of frozen pay and performance-based bonuses. The tremendous impact on the morale of our civilian workforce cannot be understated, and some of our highest quality civilian personnel have sought employment in the private sector.

We rely heavily on our Army Civilians, and they have remained dedicated and patient during the last few years of uncertainty and hardship. Like their uniformed counterparts, Army Civilians are required to demonstrate competence, technical proficiency and professional values to achieve mission and individual success. Over the past three years the Army has implemented a number of changes to improve training, educational and experiential opportunities for the civilian workforce. Focused leader development, improvements to the Civilian Education System and continued maturity of the Senior Enterprise Talent Management Program are all designed to build a more professional and competency-based civilian workforce.

The Army is also streamlining its contractor workforce by reducing contract spending at least to the same degree as, if not more than, reductions to the civilian workforce; contractor reductions are approximately \$1.5 billion in FY 15. The use of

contracted services will continue to be reviewed to ensure the most appropriate, cost effective and efficient support is aligned to the mission. As the Army continues its workforce shaping efforts, contracted manpower will be appropriately managed based on functional priorities and available funding to ensure compliance with law.

Compensation Reform

We are extremely grateful for the high quality care and compensation our Nation has provided to our Soldiers over the last decade. Military manpower costs remain at historic highs. We must develop adjustments to military compensation packages that reduce future costs, recognize and reward our Soldiers and their Families for their commitment and sacrifice, while ensuring our ability to recruit and retain a high quality All-Volunteer Army. While we recognize the growing costs of manpower, we must also approach reform from the perspective that compensation is a significant factor in maintaining the quality of the All-Volunteer Army, and always has been.

After 13 years of war, the manner in which we treat our Soldiers and Families will set the conditions for our ability to recruit in the future. That said, if we do not slow the rate of growth of Soldier compensation, it will consume a higher, disproportionate percentage of the Army's budget and without compensation reform we will be forced to reduce investments in readiness and modernization. The Army supports a holistic and comprehensive approach that reforms military compensation in a fair, responsible and sustainable way. Changes to military compensation included in the FY 15 Budget request—which include slowing the growth of housing allowances, reducing the annual direct subsidy provided to military commissaries and simplifying and modernizing our TRICARE health insurance program—are important first steps that generate savings while retaining competitive benefits. These savings will be invested in readiness and modernization.

EQUIPMENT MODERNIZATION, BUSINESS PROCESS IMPROVEMENT AND SUSTAINMENT

The Army makes prudent choices to provide the best possible force for the Nation with the resources available, prioritizing Soldier-centered modernization and procurement of proven and select emerging technologies. The institutional Army manages programs that sustain and modernize Army equipment, enabling the operational Army to provide responsive and ready land forces. We will continue to improve the efficiency and effectiveness of our business processes to provide readiness at best value.

Focus Area Review

Army senior leaders conducted reviews to consolidate and reorganize organizations, programs and functions across several focus areas—readiness, institutional and operational headquarters reductions, operational force structure, installations services and investments, the acquisition workforce and Army cyber and command, control, communications and intelligence. As a result of this effort, the Army will achieve greater efficiency across our core institutional processes, consolidate functions within the acquisition workforce and reduce headquarters overhead by up to 25 percent.

Equipment Modernization

Modernization enables the Army to meet requirements with a smaller, fully capable and versatile force that is equipped to defeat any enemy and maintain dominance on land. BCA-driven budget reductions have placed Army equipment modernization at risk through program terminations, procurement delays and program restructures. Research, development and acquisition funding has declined 39 percent since the FY 12 budget planning cycle and the long-term effect will be additional stress on current vehicle fleets, reduced replacement of war-worn equipment, increased

challenges sustaining the industrial base and limited investment in the modernization of only the most critical capabilities.

The Army's equipment modernization strategy focuses on effectively using constrained resources for near-term requirements and tailoring our long-term investments to provide the right capabilities for Soldiers in the future. This approach calls for carefully planned investment strategies across all Army equipment portfolios, which will involve a mix of limiting the development of new capabilities, incrementally upgrading existing platforms and investing in key technologies to support future modernization efforts. The strategy captures the Army's key operational priorities: enhancing the Soldier for broad joint mission support by empowering and enabling squads with improved lethality, protection and situational awareness; enabling mission command by facilitating command and control, and decision making, with networked real-time data and connectivity with the Joint Force; and remaining prepared for decisive action by increasing lethality and mobility, while optimizing the survivability of our vehicle fleets.

Army Equipping Strategy

Investment focused on:

- Deploying and redeploying units,
- Managing equipment retrograde,
- Reorganizing BCTs,
- Supporting rebalance to the Asia-Pacific region,
- Resetting our equipment,
- Redistributing equipment to raise readiness across all Army components,
- Repositioning forces,
- Aligning wartime equipment with the Army's current needs,
- Divesting equipment we no longer need, and
- Remaining prepared for homeland defense priorities.

In the short-term, the Army remains focused on several efforts. We are reducing procurement to match force structure reductions. We will continue to apply business efficiencies such as multiyear contracts, planning for should-cost and implementation of Better Buying Power, to facilitate smarter investing. We will tailor capabilities in development to meet requirements under affordability constraints. We will not transition

four programs to the acquisition phase, to include the Ground Combat Vehicle and the Armed Aerial Scout. Additionally, we will end four programs, restructure 30 programs and delay 50 programs. Lastly, the divestiture of materiel and equipment, where appropriate, will reduce maintenance and sustainment costs and support the maximization of resources. Over the long-term, investing in the right science and technology and applying affordable upgrades to existing systems will allow us to keep pace with technological change and improve capabilities.

Ground Vehicles

A new Infantry Fighting Vehicle (IFV) remains a key requirement for the Army. However, due to significant fiscal constraints, the Army has determined that the Ground Combat Vehicle program will conclude upon completion of the Technology Development phase, expected in June 2014, and will not continue further development. In the near-term, the Army will focus on refining concepts, requirements and key technologies in support of a future IFV modernization program. This will include investment in vehicle components, sub-system prototypes and technology demonstrators to inform IFV requirements and future strategies for developing a Bradley Infantry Fighting Vehicle replacement. Over the long-term, the Army anticipates initiating a new IFV modernization program informed by these efforts as resources become available.

The Army is also committed to developing and fielding the Armored Multi-Purpose Vehicle to replace our obsolete M113 family of vehicles and augmenting our wheeled vehicle fleet with the Joint Light Tactical family of vehicles. In addition, the Army will continue to fund a third brigade's set of Double V-Hull (DVH) Stryker vehicles, while supporting an incremental upgrade to DVH Strykers for power and mobility improvements.

Army Aviation

The Army will divest legacy systems and fund the modernization and sustainment of our most capable and survivable combat-proven aircraft: the AH-64 Apache, UH-60 Blackhawk and CH-47 Chinook helicopters. We will divest almost 900 legacy helicopters including the entire single engine OH-58D Kiowa Warrior and TH-67 helicopter training fleets. The Army will also modernize our training fleet with LUH-72 Lakota helicopters.

The Network

The equipment modernization strategy seeks to provide the Soldier and squad with the best weapons, equipment, sustainment and protection with the support of the network. LandWarNet is the Army's globally interconnected network that is "always on and always available," even in the most remote areas of the globe. LandWarNet enables mission command by carrying the data, voice and video every Soldier and leader needs to act decisively and effectively. It supports all Army operations, from administrative activities in garrison to operations conducted by our forward stationed and deployed Soldiers. Additionally, it forms the basis of our live, virtual and constructive training.

Equipment Reset and Retrograde

Retrograde is the return of equipment to facilities for reset and to support future force structure and operations. By December 2014, the Army plans to retrograde approximately \$10.2 billion of the \$15.5 billion worth of Army equipment currently in Afghanistan. The balance of the equipment will be used by our forces, transferred to the Afghans or to another troop contributing nation, or disposed of properly in theater, which will provide a cost avoidance of more than \$844 million in transportation, storage and security costs. The total cost of moving the equipment out of Afghanistan is estimated at roughly \$1-3 billion. The cost range is due to the unpredictable nature of

our ground routes through Pakistan and other Central Asian countries that may require a shift to more expensive multimodal or direct air cargo movement.

Once the equipment returns to the United States, our reset program restores it to a desired level of combat capability commensurate with a unit's future mission. A fully funded Army reset program is critical to ensuring that equipment worn and damaged by prolonged conflict in harsh environments is recovered and restored for future Army requirements. During FY 13, the Army reset approximately 87,000 pieces of equipment at the depot level and about 300,000 pieces of equipment, such as small arms; night vision devices; and nuclear, biological and chemical equipment, at the unit level. As a result of sequestration, we deferred approximately \$729 million of equipment reset during FY 13, postponing the repair of nearly 700 vehicles, 28 aircraft, 2,000 weapons and Army prepositioned stocks. The projected cost of the reset program is \$9.6 billion (not including transportation costs), which extends for three years after the last piece of equipment has returned. Resources available under planned spending caps are not sufficient to fully reset returning equipment from Afghanistan in a timely and efficient manner.

Organic and Commercial Industrial Base

The Army's industrial base consists of commercial and Government-owned organic industrial capability and capacity that must be readily available to manufacture and repair items during both peacetime and national emergencies. The Army must maintain the critical maintenance and manufacturing capacities needed to meet future war-time

surge requirements, as well as industrial skills that ensure ready, effective and timely materiel repair. We are sizing the organic industrial workforce to meet and sustain core

<p>Organic Industrial Base</p> <p>During Operations Iraqi Freedom and Enduring Freedom, the organic industrial base surged capacity and in some cases tripled their prewar output. The organic industrial base consists of:</p> <ul style="list-style-type: none">• Five maintenance depots,• Three manufacturing arsenals and• Eleven ammunition plants.
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depot maintenance requirements and critical arsenal manufacturing competencies. We will also continue to work with our industrial partners to address energy, water and resource vulnerabilities within our supply chain.

Both the commercial and organic elements of the industrial base are essential to the efficient development, deployment and sustainment of Army equipment. Over the past decade, the Army relied on market forces to create, shape and sustain the manufacturing and technological capabilities of the commercial industrial base. However, reduced funding levels due to sequestration accelerated the transition from wartime production levels to those needed to support peacetime operations and training. During FY 13, the Army lost more than 4,000 employees from the organic industrial base and will continue to lose highly skilled depot and arsenal workers to other industries due to fiscal uncertainty. Hiring and overtime restrictions, in addition to furloughs, affected productivity and increased depot carryover, not to mention the detrimental effect on worker morale.

Installations

In FY 13, the Army deferred critical upkeep on thousands of buildings across Army installations due to a reduction of \$909 million in sustainment, restoration and maintenance funding. End strength reductions have reduced some associated sustainment costs, but key facility shortfalls remain that will continue to impact Army readiness. Increased funding in FY 14 enables investment in facility readiness for critical infrastructure repair as well as high priority restoration and modernization projects. The FY 15 Budget reflects our measured facility investment strategy that focuses on restoration, modernization and limited new construction.

The capacity of our installations must also match the Army's decreasing force structure. At an Active Army end strength of 490,000 Soldiers, which we will reach by

the end of FY 15, we estimate that the Army will have about 18 percent excess capacity. We need the right tools to reduce excess installations capacity, or millions of dollars will be wasted maintaining underutilized buildings and infrastructure. Failure to reduce excess capacity is tantamount to an “empty space tax” diverting hundreds of millions of dollars per year away from critical training and readiness requirements. Trying to spread a smaller budget over the same number of installations and facilities will inevitably result in rapid decline in the condition of Army facilities.

The Base Realignment and Closure (BRAC) process is a proven, fair and cost-effective means to address excess capacity in the United States. BRAC has produced net savings in every prior round. On a net \$13 billion investment, the 2005 BRAC round is producing a net stream of savings of \$1 billion a year. We look forward to working with Congress to determine the criteria for a BRAC 2017 round.

Energy and Sustainability

We are establishing an energy informed culture as a key component of Army readiness. Through a synchronized campaign of performance initiatives, business process changes and education and training opportunities, the Army seeks to achieve a lasting capability to use energy to the greatest benefit. The campaign includes efforts focused on both the energy required for military operations (operational energy) and the energy required by our power-projection installations around the world.

In a tighter budget environment, the Army must manage its installations in a sustainable and cost-effective manner, preserving resources for the operational Army to maintain readiness and capability across the range of military operations. We will leverage institutional energy savings to generate more resources that we can use to train, move and sustain operational forces and enhance Army mobility and freedom of action. To take advantage of private sector efficiencies, Army installations are

privatizing utilities and entering into public-private energy-saving performance contracts. By partnering with experienced local providers, the Army has privatized 144 utilities systems, avoiding about \$2 billion in future utility upgrade costs while saving approximately 6.6 trillion British thermal units a year. The Army is also exploring opportunities to expand public-public partnerships.

Operational energy improvements to contingency bases, surface and air platforms and Soldier systems will increase overall combat effectiveness. Improved efficiencies in energy, water and waste at contingency bases reduce the challenges, risks and costs associated with the sustainment of dispersed bases. Next generation vehicle propulsion, power generation and energy storage systems can increase the performance and capability of surface and air platforms and help the Army achieve its energy and mobility goals. Advances in lightweight flexible solar panels and rechargeable batteries enhance combat capabilities, lighten the Soldier's load and yield substantial cost benefits over time. Emergent operational energy capabilities will enable Army forces to meet future requirements and garner efficiencies in a fiscally constrained environment.

Business Transformation

The Army continues to transform its business operations to be smarter, faster and cheaper. We are working to reduce business portfolio costs by almost 10 percent annually as we capitalize on the progress made with our Enterprise Resource Planning systems. Our business process reengineering and continuous process improvement efforts continue to confer significant financial and operational benefits. Through our focus area review we will reduce headquarters overhead, consolidate and streamline contracting operations and improve space allocation on Army installations. We are reengineering core processes in acquisition, logistics, human resources, financial management, training and installations to improve effectiveness and reduce costs. Over the long-term, the Army will improve its strategic planning, performance

assessment and financial auditability so that commanders can make better-informed decisions on the utilization of resources to improve readiness.

CLOSING

Throughout our history, we have drawn down our armed forces at the close of every war. However, we are currently reducing Army end strength from our wartime high before the longest war in our Nation's history has ended, and in an uncertain international security environment. Our challenge is to reshape into a smaller, yet capable, force in the midst of sustained operational demand for Army forces and reduced budgets. The resulting decline in readiness has placed at risk our ability to fully meet combatant commander requirements. Our ability to provide trained and ready Army forces will improve as we begin to balance readiness, end strength and modernization. However, if sequestration-level spending caps resume in FY 16, we will be forced to reduce end strength to levels that will not enable the Army to meet our Nation's strategic requirements.

We have learned from previous drawdowns that the cost of an unprepared force will always fall on the shoulders of those who are asked to deploy and respond to the next crisis. The Nation faces uncertainty and, in the face of such uncertainty, needs a strong Army that is trained, equipped and ready. No one can predict where the next contingency will arise that calls for the use of Army forces. Despite our best efforts, there remains a high likelihood that the United States will once again find itself at war sometime during the next two decades. It is our job to be prepared for it.