NOT FOR PUBLICATION UNTIL
RELEASED BY THE
SENATE ARMED SERVICES COMMITTEE

STATEMENT OF
ADMIRAL JONATHAN GREENERT

U.S. NAVY
CHIEF OF NAVAL OPERATIONS

BEFORE THE

SENATE ARMED SERVICES COMMITTEE

ON

FY 2015 DEPARTMENT OF THE NAVY POSTURE

27 MARCH 2014

NOT FOR PUBLICATION UNTIL
RELEASED BY THE
SENATE ARMED SERVICES COMMITTEE

Chairman Levin, Senator Inhofe, and distinguished members of the Committee, I am honored to represent more than 600,000 active and reserve Sailors, Navy Civilians, and their Families, especially the 48,000 Sailors who are underway on ships and submarines and deployed in expeditionary roles, around the globe today.

As the chartlet below shows, 104 ships (36% of the Navy) are deployed around the globe protecting the nation's interests. This is our mandate: to be where it matters, when it matters.

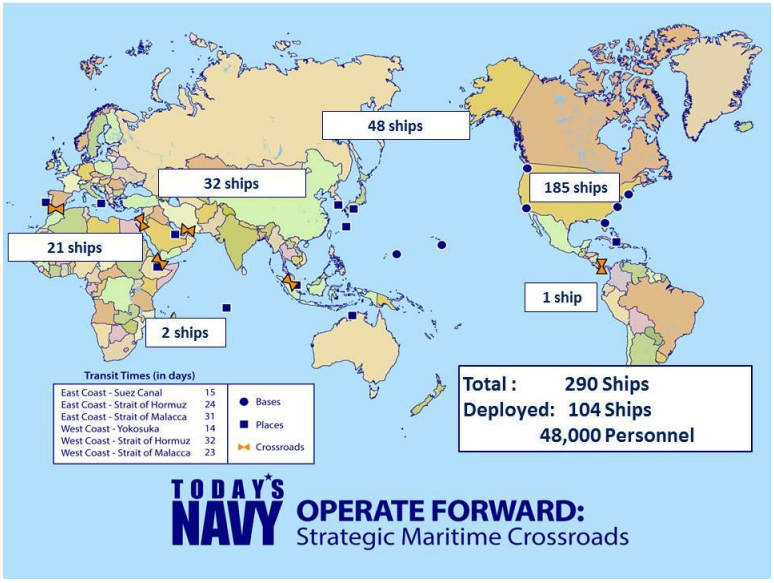

Figure 1: The Navy's forward presence today.

I would like to begin this statement by describing for you the guidance that shaped our decisions within the President's Budget for FY 2015 (PB-15) submission. I will address the Navy's situation following the budget uncertainty in FY 2013, the Bipartisan Budget Act of 2013 (BBA), and the National Defense Authorization Act (NDAA) for FY 2014. Then, I will provide details of our PB-15 submission.

Strategic Guidance

The governing document for PB-15 is the 2014 *Quadrennial Defense Review* (QDR). The QDR uses the 2012 *Defense Strategic Guidance* (DSG) as a foundation and builds on it to describe the Department of Defense's role in protecting and advancing US interests and

sustaining American leadership. The DSG and its ten *Primary Missions of the US Armed Forces* have guided Navy's planning for the past two years. Validated by the QDR, those missions remain the baseline against which I measure our posture in various fiscal scenarios. Also, 2020 is the benchmark year identified by the DSG, and that remains the timeframe on which my assessments are focused.

The QDR's updated strategy is built on three pillars*: Protect the Homeland*, *Build Security Globally*, and *Project Power and Win Decisively*. In support of these, it requires the Navy to "*continue to build a future fleet that is able to deliver the required presence and capabilities and address the most important warfighting scenarios.*"

In order to improve its ability to meet the nation's security needs in a time of increased fiscal constraint, the QDR also calls for the Joint Force to "rebalance" in four key areas; (1) *rebalancing for a broad spectrum of conflict*, (2) *rebalancing and sustaining our presence and posture abroad*, (3) *rebalancing capability, capacity, and readiness within the Joint Force*, and (4) *rebalancing tooth and tail*. To satisfy these mandates of the QDR strategy, the Navy has been compelled to make tough choices between capability and capacity, cost and risk, and to do so across a wide range of competing priorities. Our fundamental approach to these choices has not changed since I assumed this position. We continue to view each decision through the lens of the tenets I established when I took office: *Warfighting First, Operate Forward, Be Ready*.

Overview

When I appeared before you in November 2013, I testified that adherence to the Budget Control Act of 2011 (BCA) revised discretionary caps, over the long term, would result in a smaller and less capable Navy. That Navy would leave us with insufficient capability and capacity to execute at least four of the ten primary missions required by the DSG.

Passage of the BBA and the topline it sets for FY 2015, together with the fiscal guidance provided for this submission provide a level of funding for the Navy that is $36 billion above the estimated BCA revised discretionary caps across the FY 2015 to FY 2019 Future Years Defense Plan (FYDP). That funding level is still $31 billion below the level planned for in our PB-14

submission. Accordingly, the Navy PB-15 program reduces risk in most DSG primary missions when compared to a BCA cap scenario, but we still face higher risk in at least two primary missions compared to PB-14. This high risk is most likely to manifest if we are faced with a technologically advanced adversary, or if we attempt to conduct more than one multi-phased major contingency simultaneously.

In the PB-15 submission, we assess that the Navy of 2020 will:

- Include 308 ships in the Battle Force[1], of which about 123 will be deployed. This global deployed presence will include more than two carrier strike groups (CSG) and two amphibious ready groups (ARG) deployed, on average. It is similar to the presence provided by PB-14.

- Provide "surge" capacity of about three CSG and three ARG, not deployed, but ready to respond to a contingency.

- Deliver ready forces to conduct the DSG primary mission *Deter and Defeat Aggression*, but with less margin for error or ability to respond to unforeseen or emergent circumstances, compared to PB-14.

- Conduct, but with greater risk, the DSG primary mission *Project Power Despite Anti-Access/Area Denial (A2/AD) Challenges* against a technologically advanced adversary compared to PB-14. This is principally due to slower delivery of new critical capabilities, particularly in air and missile defense, and overall ordnance capacity.

- Provide increased ship presence in the Asia-Pacific region of about 67 ships, up from about 50 on average today; presence in the Middle East will likewise increase from

[1] It should be noted that the Department of the Navy revised guidelines for accounting for the size of the Navy's Battle Force. Therefore, numbers in this statement are not directly comparable to those used in prior testimony. Changes to guidelines include clarifying the accounting for smaller, forward deployed ships (e.g. patrol coastal, mine countermeasures ships, high speed transports) and ships routinely requested by Combatant Commanders (e.g, hospital ships).

The following table illustrates the differences between new and old Battle Force accounting guidelines:

	Today	*FY 2015*	*FY 2020*
PB-15: New Guidelines	290	284	308
PB-15: Old Guidelines	284	274	302

about 30 ships on average today to about 41 in 2020. These are both similar to the levels provided by PB-14.

In order to ensure the Navy remains a balanced and ready force while complying with the reduction in funding below our PB-14 plan, we were compelled to make difficult choices in PB-15, including slowing cost growth in compensation and benefits, maintaining the option to refuel or inactivate one nuclear aircraft carrier (CVN) and a carrier air wing (CVW), inducting eleven guided missile cruisers (CG) and three dock landing ships (LSD) into a phased modernization period, canceling procurement of 79 aircraft, canceling 3,500 planned weapons procurements, and reducing funding for base facilities sustainment, restoration, and modernization.

Additional challenges are on the horizon. In the long term beyond 2019 (the end of the PB-15 FYDP), I am increasingly concerned about our ability to fund the *Ohio* Replacement ballistic missile submarine (SSBN) program—our highest priority program—within our current and projected resources. The Navy cannot procure the *Ohio* Replacement in the 2020s within historical shipbuilding funding levels without severely impacting other Navy programs.

Where we are today

Before describing our FY 2015 submission in detail, I will discuss the Navy's current posture, which established the baseline for our PB-15 submission.

The impact of the continuing resolution and sequestration reductions in FY 2013 compelled us to reduce afloat and shore operations, which created an afloat and shore maintenance and training backlog. We were able to mitigate some of the effects of this backlog through reprogramming funds in FY 2013 and Congressional action in FY 2014 to restore some funding. Impact to Navy programs, caused by the combination of sequestration and a continuing resolution in FY 2013 included:

- Cancellation of five ship deployments and delay of a carrier strike group (CSG) deployment.
- Inactivation, instead of repair, of *USS Miami* beginning in September 2013.

- Reduction of facilities sustainment by about 30% (to about 57% of the requirement).
- Reduction of base operations, including port and airfield operations, by about 8% (to about 90% of the requirement).
- Furlough of civilian employees for six days.

Shortfalls caused by FY 2013 sequestration still remain in a number of areas. Shipbuilding programs experienced $1 billion in shortfalls in FY 2013, which were partially mitigated with support from Congress to reprogram funds and by FY 2014 appropriations. PB-15 requests funding to remedy the remaining $515 million in shipbuilding shortfalls. Funding to mitigate (but not enough to completely reconcile) other carryover shortfalls that remain in areas such as facilities maintenance, fleet spares, aviation depots, and weapons maintenance is requested in the Opportunity, Growth and Security (OGS) Initiative submitted to Congress with PB-15.

In FY 2014, Congress' passage of the BBA and subsequent appropriations averted about $9 billion of the estimated $14 billion reduction we would have faced under sequestration. As a result:

- We are able to fully fund our FY 2014 shipbuilding plan of eight ships.
- We are able to protect research, development, testing, and evaluation (RDT&E) funding to keep the *Ohio* Replacement Program—our top priority program—on track.
- We are able to fund all Navy aircraft planned for procurement in FY 2014.

In our readiness programs, $39 billion of the $40 billion requirement was funded, enabling us to:

- Fund all ship maintenance.
- Fund all required aviation depot maintenance.
- Fully fund ship and aircraft operations.

The remaining $5 billion shortfall below our PB-14 request includes about $1 billion in operations and maintenance accounts and about $4 billion in investment accounts. To deal with

this shortfall, in the area of operations and maintenance we are aggressively pursuing contracting efficiencies in: facilities sustainment projects, aviation logistics, and ship maintenance. To address the remaining investment shortages, we are compelled to reduce procurement of weapons and spare parts, to extend timelines for research and development projects, and to defer procurement of support equipment for the fleet.

Our strategic approach: PB-15

In developing our PB-15 submission, we evaluated the warfighting requirements to execute the primary missions of the DSG. These were informed by current and projected threats, global presence requirements defined by the Global Force Management Allocation Plan (GFMAP), and warfighting scenarios described in the Combatant Commanders' operational plans and Secretary of Defense-approved Defense Planning Scenarios (DPS). To arrive at a balanced program within fiscal guidance, we focused first on building appropriate capability, then delivering it at a capacity we could afford. Six programmatic priorities guided us:

First, maintain a credible, modern, and survivable sea-based strategic deterrent. Under the New START Treaty, the Navy SSBN force will carry about 70% of the US accountable deployed strategic nuclear warheads by 2020. Our PB-15 request sustains today's 14-ship SSBN force, the Trident D5 ballistic missile and support systems, and the Nuclear Command, Control, and Communications (NC3) system. The *Ohio*-class SSBN will retire, one per year, beginning in 2027. To continue to meet US Strategic Command presence and surge requirements, PB-15 starts construction of the first *Ohio* Replacement SSBN in 2021 for delivery in 2028 and first deterrent patrol in 2031.

Second, sustain forward presence of ready forces distributed globally to be where it matters, when it matters. We will utilize cost-effective approaches such as forward basing, forward operating, and forward stationing ships in the Asia-Pacific, Europe, and the Middle East. Rotational deployments will be stabilized and more predictable through implementation of an improved deployment framework we call the Optimized Fleet Response Plan (O-FRP). We will distribute our ships to align mission and capabilities to global region, ensuring high-end combatants are allocated where their unique capabilities are needed most. We will meet the

adjudicated FY 2015 Global Force Management Allocation Plan (GFMAP); however, this represents only 44% of the global Geographic Combatant Commander (GCC) requests. Sourcing all GCC requests would require about 450 combatant ships with requisite supporting structure and readiness.

Third, preserve the means (capability and capacity) to both win decisively in one multi-phase contingency operation and deny the objectives of–or impose unacceptable costs on–another aggressor in another region. In the context of relevant warfighting scenarios, we assessed our ability to provide more than fifty end-to-end capabilities, also known as "kill chains" or "effects chains." Each chain identifies all elements needed to provide a whole capability, including sensors, communications and networks, operators, platforms, and weapons. PB-15 prioritizes investments to close gaps in critical kill chains, and accepts risk in capacity or in the rate at which some capabilities are integrated into the Fleet.

Fourth, focus on critical afloat and ashore readiness to ensure "the force" is adequately funded and ready. PB-15 (compared to a BCA revised caps level) improves our ability to respond to contingencies ("surge" capacity) by increasing the readiness of non-deployed forces. However, it increases risk to ashore readiness in FY 2015, compared to PB-14, by reducing facilities sustainment, restoration, and modernization (FSRM) and military construction (MILCON) investments. This reduction adds to backlogs created by the deferrals in FY 2013 and FY 2014, exacerbating an existing readiness problem.

Fifth, sustain or enhance the Navy's asymmetric capabilities in the physical domains as well in cyberspace and the electromagnetic spectrum. Our FY 2015 program prioritizes capabilities to remain ahead of or keep pace with adversary threats, including electromagnetic spectrum and cyber capabilities and those capabilities that provide joint assured access developed in concert with other Services under *Air-Sea Battle*. Our program terminates certain capability programs that do not provide high-leverage advantage, and slows funding for those that assume too much technical risk or could be developed and "put on the shelf" until needed in the future.

Sixth, sustain a relevant industrial base, particularly in shipbuilding. We will continue to evaluate the impact of our investment plans on our industrial base, including ship and aircraft

builders, depot maintenance facilities, equipment and weapons manufacturers, and science and technology researchers. The government is the only customer for some of our suppliers, especially in specialized areas such as nuclear power. PB-15 addresses the health of the industrial base sustaining adequate capacity, including competition, where needed and viable. We will work closely with our industry partners to manage the risk of any further budget reductions.

Stewardship Initiatives. Another important element of our approach in PB-15 included business transformation initiatives and headquarters reductions to comply with Secretary of Defense (SECDEF) direction. In order to maximize warfighting capability and capacity, the Department of the Navy achieved approximately $20 billion in savings across the PB-15 FYDP through a collection of business transformation initiatives. These can be grouped into four major categories: 1) more effective use of operating resources (about $2.5 billion over the FYDP), 2) contractual services reductions (about $14.8 billion FYDP), 3) Better Buying Power (BBP) in procurement (about $2.7 billion FYDP), and 4) more efficient research and development (about $200 million FYDP). These initiatives build on Navy and Department of Defense (DOD) initiatives that date back to 2009 and represent our continuing commitment to be good stewards of taxpayer dollars.

Our PB-15 request also achieves savings through significant headquarters reductions, placing us on track to meet the 20% reduction by FY 2019 required by SECDEF fiscal guidance. We applied reductions to a broader definition of headquarters than directed, achieving a savings of $33 million in FY 2015 and $873 million over the FYDP from reductions in military, civilian, and contractor personnel. In making these reductions, we protected fleet operational warfighting headquarters and took larger reductions in other staffs.

What we can do

As described earlier, PB-15 represents some improvement over a program at the BCA revised caps, but in PB-15 we will still face high risk in executing at least two of the ten primary

missions of the DSG in 2020. The 2012 Force Structure Assessment[2] (FSA) and other Navy analysis describe the baseline of ships needed to support meeting each of the ten missions required by the DSG. Against that baseline and our "kill chain" analysis described earlier, we assess that under PB-15 the Navy of 2020 supports each of the ten DSG missions as follows:

1. Provide a Stabilizing Presence. Our PB-15 submission will meet the adjudicated presence requirements of the DSG. By increasing the number of ships forward stationed and forward based, PB-15 in some regions improves global presence as compared to our PB-14 submission. The Navy of 2020:

- Provides global presence of about 123 ships, similar to the aggregate number planned under PB-14.
- Increases presence in the Asia-Pacific from about 50 ships today on average to about 67 in 2020 on average, a greater increase than planned under PB-14.
- *"Places a premium on US military presence in–and in support of–partner nations"* in the Middle East, by increasing presence from about 30 ships[3] today on average to about 41 on average in 2020.
- Continues to *"evolve our posture"* in Europe by meeting ballistic missile defense (BMD) European Phased Adaptive Approach (EPAA) requirements with four BMD-capable guided missile destroyers (DDG) in Rota, Spain and two land-based sites in Poland and Romania. The first of these DDG, *USS Donald Cook*, arrived in February 2014 and all four will be in place by the end of FY 2015. Additional presence in Europe will be provided by forward operating joint high speed vessels (JHSV) and some rotationally deployed ships.
- Will provide *"innovative, low-cost and small-footprint approaches"* to security in Africa and South America by deploying one JHSV, on average, to each region.

[2] Consistent with other "ship counts" in this statement, the regional presence numbers described in this section are not directly comparable to those used in previous years due to the Battle Force counting guidelines revision.
[3] Under revised Battle Force accounting guidelines, the Middle East presence today now includes eight patrol coastal (PC) ships forward based in Bahrain; the number will increase to 10 in FY 2014. PC were not counted previously before the revision.

Beginning in FY 2015, we will deploy one hospital ship (T-AH), on average, and, beginning in FY 2016, add one patrol coastal (PC) ship, on average, to South America. Afloat forward staging bases (AFSB) forward operating in the Middle East will also provide additional presence in Africa as required.

2. Counter Terrorism and Irregular Warfare (CT/IW). We will have the capacity to conduct widely distributed CT/IW missions. This mission requires Special Operations Forces, expeditionary capabilities such as Intelligence Exploitation Teams (IET), and specialized platforms such as two AFSB and four littoral combat ships (LCS) with embarked MH-60 *Seahawk* helicopters and MQ-8 *Fire Scout* unmanned air vehicles. PB-15 adds capacity for this mission by procuring a third mobile landing platform (MLP) AFSB variant in FY 2017 for delivery in FY 2020.

3. Deter and Defeat Aggression. FSA analysis described the ship force structure required to meet this mission's requirement: to be able to conduct one large-scale operation and *"simultaneously be capable of denying the objectives of –or imposing unacceptable costs on –an opportunistic aggressor in a second region."* According to the FSA, the Navy has a requirement for a force of 11 CVN, 88 large surface combatants (DDG and CG), 48 attack submarines (SSN), 11 large amphibious assault ships (LHA/D), 11 amphibious transport docks (LPD), 11 LSD, 52 small surface combatants (collectively: LCS, frigates, mine countermeasure ships) and 29 combat logistics force (CLF) ships. This globally distributed force will yield a steady state deployed presence of more than two CSG and two amphibious ready groups (ARG), with three CSG and three ARG ready to deploy in response to a contingency ("surge"). The Navy of 2020 delivered by PB-15, however, will be smaller than the calculated requirement in terms of large surface combatants, LHA/D, and small surface combatants. This force structure capacity provides less margin for error and reduced options in certain scenarios and increases risk in this primary mission. If we return to a BCA revised caps funding level in FY 2016, the situation would be even worse. We would be compelled to inactivate a CVN and CVW and to reduce readiness and other force structure to ensure we maintain a balanced, ready force under the reduced fiscal topline. As in the BCA revised caps scenario I described previously, these reductions would leave us with a Navy that is capable of one multi-phase contingency. Under these circumstances, we would not meet this key DSG mission.

4. Conduct Stability and Counterinsurgency Operations. The Navy of 2020 will be able to meet the requirements of this DSG mission.

5. Project Power Despite Anti-Access/Area-Denial (A2/AD) Challenges. Compared to PB-14, our overall power projection capability development would slow, reducing options and increasing our risk in assuring access. The reduced procurement of weapons and slowing of air and missile defense capabilities, coupled with joint force deficiencies in wartime information transport and airborne intelligence, surveillance, and reconnaissance (ISR), will cause us to assume high risk in conducting this DSG mission if we are facing a technologically advanced adversary. PB-15 makes results in the following changes to air and missile defense capabilities (versus PB-14):

- The Navy Integrated Fire Control-Counter Air (NIFC-CA) Increment I capability will still field (with the E-2D *Advanced Hawkeye* aircraft) in 2015, but only four air wings (versus six in PB-14) will have transitioned to the E-2D by 2020. Fewer air wings with E-2D translates to less assured joint access. NIFC-CA Increment I integrates aircraft sensor and ship weapon capabilities, improving lethality against advanced air and missile threats.

- The F-35C *Lightning II*, the carrier-based variant of the Joint Strike Fighter, is scheduled to achieve Initial Operational Capability (IOC) between August 2018 and February 2019. However, our F-35C procurement will be reduced by 33 airframes in the PB-15 FYDP when compared to PB-14. The F-35C, with its advanced sensors, data sharing capability, and ability to operate closer to threats, is designed to enhance the CVW's ability to find targets and coordinate attacks. The impact of this reduced capacity would manifest itself particularly outside the FYDP, and after F-35C IOC.

- All components of an improved air-to-air kill chain that employs infrared (IR) sensors to circumvent adversary radar jamming will be delayed one year. The Infrared Search and Track (IRST) Block I sensor system will field in 2017 (versus 2016) and the improved longer-range IRST Block II will not deliver until 2019 (versus 2018).

- Improvements to the air-to-air radio frequency (RF) kill chain that defeats enemy jamming and operates at longer ranges will be slowed, and jamming protection upgrades to the F/A-18E/F *Super Hornet* will be delayed to 2019 (versus 2018).

However, PB-15 sustains our advantage in the undersea domain by delivering the following capabilities:

- PB-15 procures 56 P-8A *Poseidon* maritime patrol aircraft over the FYDP, replacing the legacy P-3C *Orion's* capability.

- Continues to procure two *Virginia*-class SSN per year through the FYDP, resulting in an inventory of 21 *Virginia*-class (of 48 total SSN) by 2020.

- Continues installation of anti-submarine warfare (ASW) combat system upgrades for DDG and improved Multi-Function Towed Arrays (MFTA) for DDG and CG. Both installations will be complete on all DDG forward based in the Western Pacific by 2018.

- All of our P-8A and ASW helicopters in the Western Pacific will still be equipped with upgraded sonobuoys and advanced torpedoes by 2018.

- The LCS mine countermeasures (MCM) mission package, which employs unmanned vehicles and offboard sensors to localize and neutralize mines, will complete testing of its first increment in 2015 and deploy to the Arabian Gulf with full operational capability by 2019.

- The LCS ASW mission package, which improves surface ASW capability by employing a MFTA in concert with a variable depth sonar (VDS), will still field in 2016.

- Additional Mk 48 Advanced Capability (ADCAP) heavyweight torpedoes, restarting the production line and procuring 105 Mod 7 torpedoes across the FYDP. The restart will also provide a basis for future capability upgrades.

6. Counter Weapons of Mass Destruction. This mission has two parts: (1) interdicting weapons of mass destruction as they proliferate from suppliers, and (2) defeating the means of

delivery during an attack. PB-15 will meet requirements for this mission by providing sufficient deployed CSG, ARG, and surface combatants, as well as SEAL and EOD platoons, to address the first part. For the second part, BMD-capable DDG exist in sufficient numbers to meet adjudicated GCC presence requirements under the GFMAP, and can be postured to counter weapons delivered by ballistic missiles in regions where threats are more likely to emanate. That said, missile defense capacity in some scenarios remains a challenge and any reduction in the number of BMD-capable DDG raises risk in this area.

7. Operate Effectively in Space and Cyberspace. Our PB-15 submission continues to place priority on cyber defense and efforts to build the Navy's portion of the Department of Defense's Cyber Mission Forces. Continuing PB-14 initiatives, PB-15 will recruit, hire, and train 976 additional cyber operators and form 40 cyber mission teams by 2016. Additionally, we will align Navy networks with a more defensible DOD Joint Information Environment (JIE) through the implementation of the Next Generation Enterprise Network (NGEN) ashore and Consolidated Afloat Networks and Enterprise Services (CANES) at sea.

8. Maintain a Safe, Secure, and Effective Nuclear Deterrent. This mission is the Navy's top priority in any fiscal scenario, and our PB-15 submission will meet its requirements. It satisfies STRATCOM demand for SSBN availability through the end of the current *Ohio* class' service life. Additionally, our PB-15 submission funds Nuclear Command, Control, and Communications (NC3) modernization and the Trident D5 ballistic missile Life Extension Program (LEP) while sustaining the fleet of E-6B *Mercury* Take Charge and Move Out (TACAMO) aircraft.

9. Defend the Homeland and Provide Support to Civil Authorities. PB-15 will maintain an appropriate capacity of aircraft carriers, surface combatants, amphibious ships, and aircraft that are not deployed and are ready for all homeland defense missions.

10. Conduct Humanitarian, Disaster Relief, and Other Operations. Our analysis determined that a global presence of two ARG and nine JHSV is sufficient to conduct these operations. Our PB-15 submission will support this level of presence.

Manpower, Modernization, Warfighting Capability, and Readiness

The following paragraphs describe more specific PB-15 programs actions that result from our strategic approach and influence our ability to conduct the missions required by the DSG:

End Strength. PB-15 supports a FY 2015 Navy active end strength of 323,600, and reserve end strength of 57,300. It appropriately balances risk, preserves capabilities to meet current Navy and Joint requirements, fosters growth in required mission areas, and provides support to Sailors, Navy Civilians and Families. We adjusted both Active and Reserve end strength to balance available resources utilizing a Total Force approach. PB-15 end strength remains fairly stable across the FYDP, reaching approximately 323,200 Active and 58,800 Reserve in FY 2019.

Shipbuilding. Our PB-15 shipbuilding plan combines the production of proven platforms with the introduction of innovative and cost effective platforms in order to preserve capacity while enhancing capability. Simultaneously, we will sustain efforts to develop new payloads that will further enhance the lethality and effectiveness of existing platforms and continue mid-life modernizations and upgrades to ensure their continued relevance. We will continue to field flexible, affordable platforms like AFSB and auxiliary ships that operate forward with a mix of rotational civilian and military crews and provide additional presence capacity for certain missions requiring flexibility, volume, and persistence. PB-15 proposes:

- Funding for 14 LCS across the FYDP (three per year in FY 2015 – 2018 and two in FY 2019). However, in accordance with SECDEF direction, we will cease contract negotiations after we reach a total of 32 ships (12 procured in the PB-15 FYDP). Per direction, we will assess LCS' characteristics such as lethality and survivability, and we are studying options for a follow-on small surface combatant, and follow on flight of LCS.

- Two *Virginia*-class SSN per year, maintaining the planned ten-ship Block IV multi-year procurement (FY 2014 – FY 2018).

- Two *Arleigh Burke*-class DDG per year, maintaining the ten-ship multi-year procurement (FY 2013 – 2017). PB-15 procures ten DDG (three Flight IIA and seven

Flight III) in the FYDP. The first Flight III DDG, which will incorporate the advanced Air and Missile Defense Radar (AMDR), will be procured in FY 2016 and delivered in FY 2021.

- An additional AFSB variant of the *Montford Point*-class MLP in FY 2017. This AFSB will deliver in FY 2020 and will forward operate in the Asia-Pacific region.
- Three T-AO(X) fleet oilers (in FY 2016, 2018, and 2019, respectively).
- Advanced procurement requested in FY 2019 to procure one LX(R) amphibious ship replacement in FY 2020.

Additionally, to comply with fiscal constraints, our PB-15 submission delays delivery of the second *Ford*-class CVN, *USS John F. Kennedy* (CVN 79) from FY 2022 to FY 2023.

Aviation. PB-15 continues our transition to the Future Carrier Air Wing, which will employ manned and unmanned systems to achieve air, sea, and undersea superiority across capability "kill chains." We will also continue to field more advanced land-based maritime patrol aircraft (manned and unmanned) to evolve and expand our ISR, ASW, and sea control capabilities and capacity. To further these objectives while complying with fiscal constraints, PB-15:

- Continues plans to transition the F/A-18E/F *Super Hornet* fleet from production to sustainment with the final 37 aircraft procured in FY 2013 and scheduled for delivery in FY 2015. Likewise, the final EA-18G *Growler* electronic warfare aircraft will be procured in FY 2014 and delivered in FY 2016. We are forced to assume the risk of moving to a single strike fighter prime contractor due to fiscal constraints.
- Maintains IOC of the F-35C *Lightning II* between August 2018 and February 2019. However, due to fiscal constraints, we were compelled to reduce F-35C procurement by 33 airframes across the FYDP.
- Maintains initial fielding of the E-2D *Advanced Hawkeye* and its NIFC-CA capability in FY 2015. Due to fiscal constraints, we were compelled to reduce procurement by

ten airframes over the FYDP with four CVW completing transition to the E-2D by 2020, versus the preferred six in PB-14.

- Continues development of the Unmanned Carrier Launch Surveillance and Strike System (UCLASS), a major step forward in achieving integration of manned and unmanned systems within the CVW. UCLASS remains on a path to achieve Early Operational Capability (EOC) within four to five years of contract award, which is projected for FY 2015.

- Continues to transition to the P-8A *Poseidon* maritime patrol aircraft from the legacy P-3C *Orion*. However, we were compelled by fiscal constraints to lower the final P-8A inventory objective from 117 to 109 aircraft. The warfighting requirement remains 117, but we can only afford 109.

- Continues development of the MQ-4C *Triton* land-based unmanned ISR aircraft. However, technical issues delayed the low-rate initial production decision from FY 2015 to FY 2016. Together with fiscal constraints, this reduces procurement of MQ-4C air vehicles in the FYDP from 23 to 16. *Triton* will make its first deployment to the Pacific in FY 2017. The multi-INT version will start fielding in 2020.

- Aligns the MQ-8 *Fire Scout* ship-based unmanned helicopter program to LCS deliveries. Fiscal constraints and global force management (GFM) demands on our surface combatants compelled us to remove options to conduct dedicated ISR support to Special Operations Forces (SOF) from DDG and JHSV, but *Fire Scout*-equipped LCS can be allocated to Combatant Commanders by the GFM process to support this mission. This decision reduces procurement of MQ-8 air vehicles across the FYDP by 19.

- Continues our maritime Intelligence, Surveillance, Reconnaissance, and Targeting (ISR&T) transition plan to deliver increased ISR persistence by the end of FY 2018 and exceed the aggregate capability and capacity of our legacy platforms by the end of FY 2020. However, as we transition from legacy platforms like the EP-3E *Aries II*, fiscal constraints will compel us to take moderate risk in some collection capabilities over the next few years.

Modernization. In parallel with recapitalization, PB-15 continues modernization of in-service platforms. Flight I and II of the *Arleigh Burke*-class DDG began mid-life modernization in FY 2010, and will continue at the rate of 2 hulls per year (on average) through FY 2016. In FY 2017, we will begin to modernize Flight IIA DDG in parallel with Flight I and II in order to do so closer to the midpoint in the Flight IIA's service lives and increase return on investment. This will also increase operational availability and BMD capacity sooner than a serial, "oldest-first" plan. Nine of twelve *Whidbey Island*-class LSD have undergone a mid-life update and preservation program, and seven *Wasp*-class large deck amphibious assault ships (LHD) will complete mid-life modernization by FY 2022. Modernization of the 8th LHD, *USS Makin Island* will be addressed in subsequent budget submissions.

The Navy's budget must also include sufficient readiness, capability and manpower to complement the force structure capacity of ships and aircraft. This balance must be maintained to ensure each unit will be effective, no matter what the overall size and capacity of the Fleet. To preserve this balance and modernize cruisers while avoiding a permanent loss of force structure and requisite "ship years," PB-15 proposes to induct eleven *Ticonderoga*-class CG into a phased modernization period starting in FY 2015. Only fiscal constraints compel us to take this course of action; CG global presence is an enduring need. The ships will be inducted into phased modernization and timed to align with the retirements of CG such that the modernized ships will replace one-for-one, when they finish modernization. This innovative plan permits us to reapply the CG manpower to other manning shortfalls while simultaneously avoiding the operating costs for these ships while they undergo maintenance and modernization. The plan to modernize and retain the CG adds 137 operational "ship years" to the Battle Force and it extends the presence of the *Ticonderoga* class in the Battle Force to 58 years. It avoids approximately $2.2 billion in operating and maintenance costs across the FYDP for eleven CG. In addition, it precludes Navy having to increase our overall end strength by about 3,400 people (approximately $1.6 billion over the FYDP), which would otherwise be required to fill critical shortfalls in our training pipelines and fleet manning.

PB-15 also proposes to induct three *Whidbey Island*-class LSD into phased modernization availabilities on a "rolling basis" beginning in FY 2016, with two of the three always remaining in service. Similar to the CG plan, the LSD plan avoids approximately $128

million across the FYDP in operating and maintenance and an end strength increase of approximately 300 people (approximately $110 million over the FYDP) for the one LSD that will be in this category during the PB-15 FYDP. This plan adds 35 operational "ship years" and sustains the presence of the *Whidbey Island* class in the Battle Force through 2038.

We appreciate the additional funding and expanded timeframe given by Congress for modernizing and operating the LSD and CG proposed for permanent inactivation in PB-13. Consistent with the spirit of Congressional action, we are committed to a phased modernization of these nine ships, plus an additional four CG and one LSD. However, funding constraints still make us unable to keep all of these ships operational in every year, in the near term. While we would prefer to retain all LSD and CG deployable through the FYDP, a balanced portfolio under current fiscal constraints precludes this.

To mitigate a projected future shortfall in our strike fighter inventory while integrating the F-35C, PB-15 continues the Service Life Extension Program (SLEP) for the legacy F/A-18A-D *Hornet*. With SLEP modifications, some of these aircraft will achieve as much as 10,000 lifetime flight hours, or 4,000 hours and 16 years beyond their originally-designed life.

Electromagnetic Maneuver Warfare. In addition to the actions described earlier in the statement to improve air and missile defense and sustain our advantage in the undersea and information domains, our program enhances our ability to maneuver freely in the electromagnetic spectrum, while denying adversaries' ability to do the same. It maintains our investment in the Ships' Signals Exploitation Equipment (SSEE) Increment F, which equips ships with a robust capability to interdict the communications and targeting elements of adversary kill chains by 2020. It delivers upgraded electromagnetic sensing capabilities for surface ships via the Surface Electronic Warfare Improvement Program (SEWIP) Block 2 that will deliver in 2016. PB-15 then begins low rate initial production (LRIP) of SEWIP Block 3 in 2017 to add jamming and deception capabilities to counter advanced anti-ship cruise missiles. To enhance CVW capabilities to jam enemy radars and conduct other forms of electromagnetic spectrum maneuver warfare, PB-15 maintains our investments in the Next Generation Jammer (NGJ). NGJ will provide the EA-18G *Growler* with enhanced Airborne Electronic Attack (AEA) capabilities for conventional and irregular warfare. The current ALQ-99 jammer, which

has been the workhorse of the fleet for more than 40 years, will not be able to meet all requirements in challenging future environments.

Mine Warfare. Mines are a low-cost, asymmetric weapon that can be effective in denying US forces access to contested areas. To enhance our ability to counter mines in the Middle East and other theaters, our PB-15 program sustains investments in the LCS mine countermeasures (MCM) mission package, completing initial testing of its first increment in 2015 and achieving full operational capability in 2019. With these packages installed, LCS will locate mines at twice the rate our existing MCM ships can achieve, while keeping the LCS and its crew outside the mine danger area. LCS also has significantly greater on-station endurance and self-defense capability than existing MCM. PB-15 sustains our interim AFSB, *USS Ponce,* in service until FY 2016. *USS Ponce* provides forward logistics support and command and control to MCM ships and helicopters, allowing them to remain on station longer and sustain a more rapid mine clearance rate. In the near-term, PB-15 continues funding for Mk 18 *Kingfish* unmanned underwater vehicles (UUV) and *Sea Fox* mine neutralization systems deployed to the Arabian Gulf today, as well as increased maintenance and manning for *Avenger*-class MCM ships forward based in Bahrain.

Precision Strike. Our precision strike capabilities and capacity will be critical to success in any foreseeable future conflict. Accordingly, PB-15 funds research and development for the *Virginia* Payload Module (VPM) through FY 2018 to increase *Virginia*-class SSN Tomahawk missile capacity from 12 to 40 missiles, mitigating the loss of capacity as *Ohio*-class guided missile submarines (SSGN) begin to retire in 2026. These efforts will support the option to procure the VPM with Block V of the *Virginia* class, as early as FY 2019, in a future budget. Also in support of strike capacity, PB-15 sustains the existing Tactical Tomahawk cruise missile inventory by extending service life through investments in critical capability enhancements and vital parts to achieve maximum longevity. To develop a follow-on weapon to replace Tactical Tomahawk when it leaves service, PB-15 commences an analysis of alternatives (AoA) in FY 2015 for planned introduction in the 2024-2028 timeframe. Also, our program enhances CVW precision strike capabilities by integrating the Small Diameter Bomb II (SDB II) on the F/A-18 by 2019.

Anti-Surface Warfare. To pace improvements in adversaries' long-range anti-ship cruise missiles and maritime air defenses, PB-15 implements a plan to deliver next-generation anti-surface warfare (ASuW) capability. The program maintains current ASuW capability inherent in the Harpoon missile, Joint Standoff Weapon (JSOW) C-1, and Mk 48 ADCAP torpedoes. In the near term, we are pursuing options to develop an improved, longer-range ASuW capability by leveraging existing weapons to minimize technical risk, costs, and development time. Additionally, PB-15 funds enhanced ASuW lethality for LCS by introducing a surface-to-surface missile module (SSMM) in FY 2017. PB-15 accelerates acquisition of the next-generation Long Range Anti-Ship Missile (LRASM), fielding an early air-launched capability on the Air Force B-1B *Lancer* bomber in FY 2018 and integration with the F/A-18E/F in FY 2019. Additionally, PB-15's restart of Mk 48 ADCAP production and acquisition of 105 Mod 7 torpedoes over the FYDP enhances submarine ASuW capacity and provides a basis for future capability upgrades.

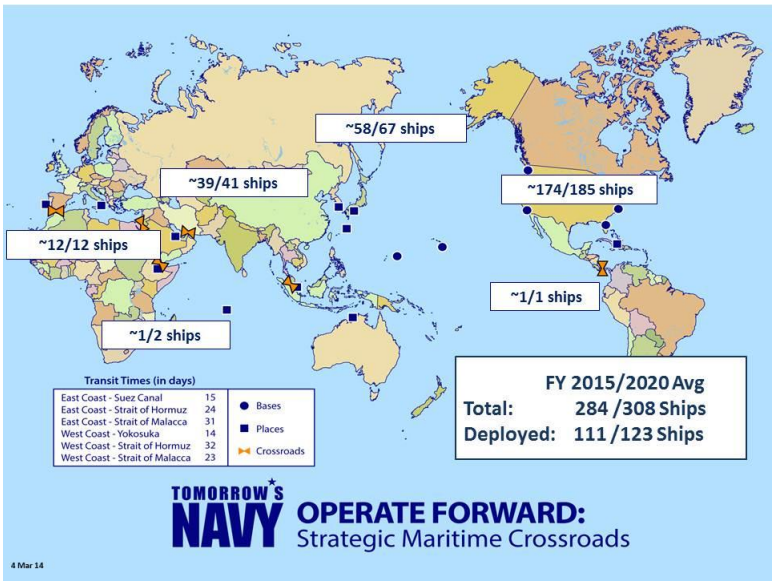

Figure 2: Navy's projected forward presence in FY 2015 and FY 2020

Forward Presence. PB-15 continues our DSG-directed rebalance to the Asia-Pacific both in terms of force structure and in other important ways. It increases our presence in the region from about 50 ships today on average to about 67 by 2020. In doing so, we continue to leverage our own "bases" in the region, such as Guam and Hawaii, as well as "places" where our allies and partners allow us to use their facilities to rest, resupply, and refuel. PB-15 continues to preferentially field advanced payloads

and platforms with power projection capabilities, such as the F-35C *Lightning II*, the *Zumwalt*-class DDG, the AIM-120D Advanced Medium Range Air-to-Air Missile (AMRAAM), and the P-8A *Poseidon* to the Asia-Pacific first in response to the rapidly increasing A2/AD capabilities of potential adversaries in the region.

In our PB-15 submission, we seek to maximize our presence in the Asia-Pacific and other regions using both rotational and non-rotational forces. Rotational forces deploy to overseas theaters from homeports in the United States for finite periods, while non-rotational forces are sustained in theater continuously. Non-rotational forces can be forward based, as in Spain and Japan, where ships are permanently based overseas and their crews and their families reside in the host country. Forward stationed ships operate continuously from overseas ports but are manned by crews that deploy rotationally from the United States, as is the case with the LCS deployed to Singapore, with four ships in place by 2017. Forward operating ships, by contrast, operate continuously in forward theaters from multiple ports and are manned by civilian mariners and small detachments of military personnel who rotate on and off the ships. Examples of forward operating ships include MLP, JHSV, AFSB, and the oilers and combat support ships of the Combat Logistics Force (CLF). Forward based, stationed, or operating ships all provide presence at a significantly lower cost since one ship that operates continuously overseas provides the same presence as about four ships deploying rotationally from homeports in the United States.

To capitalize on this advantage, our PB-15 program continues the move of four BMD-capable destroyers to Rota, Spain. The first of these, *USS Donald Cook,* is already in place, and three ships will join her by the end of FY 2015. We will likewise forward base an additional (fourth) SSN in Guam in FY 2015. PB-15 sustains our forward based MCM and PC in Bahrain, and forward stationed LCS will begin to assume their missions at the end of the decade. As JHSV are delivered and enter service, they will begin forward operating in multiple regions, including the Middle East in FY 2014, the Asia-Pacific in FY 2015, Africa in FY 2016, and Europe in FY 2017. *USNS Montford Point*, the first MLP, will deploy and begin forward operating from Diego Garcia in FY 2015. *USNS Lewis B. Puller,* the first AFSB variant of the *Montford Point* class, will relieve our interim AFSB, *USS Ponce,* and begin forward operating in the Middle East in FY 2016.

The Optimized Fleet Response Plan (O-FRP). In addition to maximizing forward presence by basing ships overseas, our PB-15 submission also takes action to maximize the operational availability and presence delivered by units that deploy rotationally from the United States. In FY 2015 we will begin implementation of the O-FRP, a comprehensive update to our existing Fleet Response Plan, the operational framework under which we have trained, maintained, and deployed our forces since 2003.

The legacy FRP employed units on repeating cycles about 30 months in length that were divided into four phases: maintenance, basic training, integrated (advanced) training, and sustainment. Scheduled deployments of notionally six to seven months were intended to take place in the sustainment phase, and the units' combat readiness was maintained for the remainder of the sustainment phase to provide "surge" capacity for contingency response.

Over the past few years, continuing global demand for naval forces coupled with reduced resources has strained the force. Continued demand in the Asia-Pacific, combined with increased commitments in the Persian Gulf , as well as responses to crisis events in Syria and Libya, coupled with an emerging global afloat BMD mission, have driven recent deployment lengths for certain units (CSG, ARG, and BMD-capable DDG in particular) as high as eight to nine months. Sequestration and a continuing resolution in FY 2013 added to these pressures by hampering maintenance and training, which slowed preparation of ships and delayed deployments. In many instances, we have been compelled to shorten training and maintenance or to deploy units twice in the same sustainment cycle. While the FRP provides flexibility and delivers additional forces where required for crisis response, the increased operational tempo for our forces in recent years is not sustainable in the long term without a revision of the FRP. Reductions in training and maintenance reduce the combat capability and readiness of our forces and the ability of our ships and aircraft to fulfill their expected service lives. These effects combine with unpredictable schedules to impact our Sailors' "quality of service," making it more difficult to recruit and retain the best personnel in the long-term.

The O-FRP responds to these schedule pressures and simultaneously makes several other process and alignment improvements to more effectively and efficiently prepare and deploy forces. Our analysis concluded that a 36-month deployment cycle (versus about 30 months) with scheduled deployments of up to eight months (versus six to seven months) is the optimal solution

to maximize operational availability while maintaining stability and predictability for maintenance and training. Beyond scheduling, the O-FRP increases cohesiveness and stability in the composition of the teams we prepare for deployment by keeping the same group of ships and aircraft squadrons together in a CSG through successive cycles of training and deployment. The O-FRP also takes actions to make maintenance planning more predictable and maintenance execution more timely and cost-effective. It takes parallel steps in training by closely aligning the many inspections and exercises that units must complete in a predictable, rationalized sequence.

Our PB-15 submission implements the O-FRP beginning in FY 2015 with the *Harry S. Truman* CSG, and will implement it in all other CSG and surface combatants as they prepare for and execute their next deployments. The O-FRP will subsequently be expanded to amphibious ships (ARG) and we are studying the desirability of expanding it to submarines and other unit types in the future.

Fleet Readiness. A central challenge in delivering the best Navy possible for the funds appropriated is properly balancing the cost of procuring force structure and capability with the cost of maintaining them at an appropriate level of readiness. When faced with a future of declining budgets, if we are returned to BCA revised caps funding levels in FY 2016 and beyond, we are forced to make difficult decisions. Unstable budget levels (due to continuing resolutions and sequestration) force reductions in maintenance and training. Over time, this begins to take an untenable toll on our enduring ability to deploy forces that are sufficiently ready to complete their missions with acceptable risk and the ability of our ships and aircraft to reach their expected service lives. We are mandated to fund readiness. In a declining budget, we must look at reducing recapitalization and modernization. This can also have the consequences, of falling behind competitors in terms of capability and relevance, or we risk having too few ships and aircraft to execute certain missions in the future. As a result, we balance force structure capacity and capability with readiness in any financial situation.

Despite the reduction in funding below levels planned in PB-14, PB-15 strikes this balance and the result is a program that delivers sufficient readiness to meet our GFMAP presence commitments and provide sufficient "surge" capacity for contingency response.

As part of our efforts to sustain fleet readiness, Navy continues to improve its maintenance practices for surface ships by increasing governance, transparency, and accountability. Over the last several years, these practices have enabled us to decrease the amount of backlogged ship maintenance caused by high operational tempo.

Going forward, PB-15 funds Navy's FY15 afloat readiness to the DOD guidelines and goals. As in previous years, a supplemental funding request will be submitted to address some deployed ship operations, flying, and maintenance requirements.

Readiness and Investment Ashore. To comply with fiscal constraints, we are compelled to continue accepting risk in shore infrastructure investment and operations. PB-15 prioritizes nuclear weapons support, base security, child development programs, and air and port operations. PB-15 funds facilities' sustainment to 70% of the DOD Facilities Sustainment Model, and prioritizes repair of critical operational facilities like piers and runways, renovation of inadequate barracks, and improving the energy efficiency of facilities. Less critical repairs to non-operational facilities will be deferred; however, this risk will compound over years and must eventually be addressed.

Depot Maintenance Infrastructure. Due to fiscal constraints, the Department of the Navy will not meet the mandated capital investment of 6% across all shipyards and depots described in 10 USC 2476 in FY 2015. The Navy projects an investment of 3.5% in FY 2015. PB-15 does, however, fund the most critical deficiencies related to productivity and safety at our Naval Shipyards. We will continue to aggressively pursue opportunities such as reprogramming or realignment of funds to find the appropriate funds to address this important requirement and mandate.

Base Realignment and Closure (BRAC). PB-15 continues to fund environmental restoration, caretaking, and property disposal at BRAC 2005 and prior-round BRAC installations. We meet the legal mandates at all levels from previous BRAC rounds.

Health of the Force

Compensation Reform and Quality of Service. PB-15 addresses readiness by applying an important concept: quality of service. Quality of service has two components: (1) quality of work, and (2) quality of life. Both are intrinsically tied to readiness. At work, the Navy is committed to providing our Sailors a challenging, rewarding professional experience, underpinned by the tools and resources to do their jobs right. Our obligations don't stop at the bottom of the brow. We support our Navy Families with the proper quality of life in terms of compensation, professional and personal development, and stability (i.e., deployment predictability). Our Sailors are our most important asset and we must invest appropriately to keep a high caliber all-volunteer force.

Over the last several years, Congress has been generous in increasing our benefits and compensation by approving pay raises, expanding tax-free housing, increasing health care benefits for retirees, and enhancing the GI Bill. This level of compensation and benefits, while appropriate, is costly and will exceed what we can afford.

Personnel costs for military and civilian personnel make up about half of DOD's base budget–a share that continues to grow and force tradeoffs with other priorities. It is a strategic imperative to rein in this cost growth; therefore, we propose to slow rates of military pay raises, temporarily slow Basic Allowance for Housing growth, and reduce indirect subsidies provided to commissaries. Coupled with reductions in travel expenses, these reforms will generate $123 million in Navy savings in FY 2015 and $3.1 billion across the FYDP. None of these measures will reduce our Sailors' pay.

When my Senior Enlisted Advisor (the Master Chief Petty Officer of the Navy) and I visit Navy commands around the world, the message I get from our Sailors is that they want to serve in a force that is properly manned and one that provides them with the tools, training, and deployment predictability they need to do their jobs. Sailors tell us that these factors are as important as compensation and benefits. Any Navy savings from compensation reform, therefore, will be re-invested to quality of service enhancements that include:

- Increases in travel funding for training.

- Expansion of the Navy e-Learning online training system
- Improvement in training range and simulation capabilities, simulated small arms training, and other shore-based simulators and trainers for surface ship and submarine personnel.
- Additional aviation spare parts.
- Enhancements to aviation logistics and maintenance.
- Enhancements to surface ship depot maintenance.
- Increasing financial incentives for Sailors serving in operational capacities at sea.
- Increasing retention bonuses.
- Enhancing Base Operating Support (BOS) funding to improve base services for Sailors and their families.
- Restoring of $70 million per year of funding for renovation of single Sailors' barracks that we were previously compelled to reduce due to fiscal constraints.
- Military construction projects for five barracks and a reserve Navy Operational Support Center (NOSC).
- Improving berthing barges in Yokosuka, Japan that house Sailors while forward based ships undergo depot maintenance.
- Increasing support to active commands by Selected Reserve (SELRES) personnel, thereby reducing workloads on active duty personnel.
- Implementing an information technology (IT) solution that enables Reserve personnel to remotely access Navy IT resources in support of mission objectives.
- Increasing funding for recapitalization projects at our flagship educational institutions.

For the same reasons we support reform of pay and other benefits, the Navy also supports DOD-wide proposals in PB-15 to reduce military health care costs by modernizing insurance options for dependents and retirees, and through modest fee and co-pay increases that encourage use of the most affordable means of care.

Enduring Programs. Along with the plans and programs described above, I remain focused on enduring challenges that relate to the safety, health, and well-being of our people. In June 2013, we established the Navy 21st Century Sailor Office (OPNAV N17), led by a flag officer, to integrate and synchronize our efforts to improve the readiness and resilience of Sailors and their Families. The most pressing and challenging problem that we are tackling in this area is sexual assault.

Sexual Assault. The Navy continues to pursue a deliberate strategy in combatting sexual assault. We continue to focus on preventing sexual assaults, supporting and advocating for victims, improving investigation programs and processes, and ensuring appropriate accountability. To assess effectiveness and better target our efforts, Navy's Sexual Assault Prevention and Response (SAPR) program is driven by a metrics-based strategic plan that focuses on care and support to victims, as well as individual, command and institutional efforts to prevent this destructive crime. We receive feedback directly from our Sailors through surveys, polls, and Fleet engagements, which steers our program and efforts. In FY13, more Sailors than ever came forward to report incidents, many of which occurred months or even years prior.

Sustaining a world-class response and victim advocacy system remains a top priority; preventing sexual assaults from occurring is an imperative. Our strategy focuses on creating a climate where behaviors and actions that may lead to sexual assault, as well as sexual assault itself, are not tolerated, condoned or ignored. This multi-faceted approach focuses on command climate; deterrence; and bystander intervention. To prevent more severe crimes in the continuum of harm, we are concentrating our leadership efforts on ending the sexist and destructive behaviors that lead up to them. Our metrics indicate that Sailors are reporting unacceptable behavior and that commands are taking it seriously.

We will continue to measure, through surveys and reports, prevalence data, command climate and perceptions of leadership support, investigation length, and victim experience with our response and investigative system. We also measure key statistics about the investigative and adjudication process itself, such as length of time from report to outcome, as we continue to ensure a balanced military justice system for all involved. These metrics will be utilized to further improve and refine our prevention strategy, as well as inform a DOD-wide report to the President due in December 2014.

Every Sailor and Navy Civilian deserves to work in an environment of dignity, respect, and trust. We hold our leaders accountable for creating a command climate that promotes these basic principles and thereby reduces the likelihood of an environment where sexual harassment might occur. We are strengthening our sexual harassment prevention policy by separating it from Equal Opportunity and aligning it with previous SAPR policy amendments, which have resulted in increased trust in our system to report incidents.

When sexual assaults do occur, we ensure the victims' rights and preferences are respected throughout the investigative and disposition processes. In October 2013, we established the Victims' Legal Counsel (VLC) Program. The program is currently staffed by 25 Navy judge advocates acting as VLC, providing legal advice and representation to victims. The program will eventually expand to 29 VLC located on 23 different installations, and VLC services are already available to all eligible victims worldwide. Our VLC work to protect and preserve the rights and interests of sexual assault victims, and in the case of investigation and prosecution, to ensure victims understand the process, can exercise their rights, and are able to have a voice in the process.

However, work remains to be done. Despite 80% of Sailors reporting confidence in the Navy's response system to sexual assault and 86% agreeing that the Navy and their individual commands are taking actions to prevent sexual assault, nearly 50% cite "fear of public exposure" or "shame" as barriers to reporting. We continue to seek ways to overcome these perceived barriers.

We greatly appreciate Congress' interest and support in our efforts to combat sexual assault, particularly the measures contained in the NDAA for FY 2014. We are fully engaged in

implementing the new requirements and we believe that given time to measure progress following full implementation, we will be able to better assess whether any additional legislative or policy measures are required. We remain committed to eradicating sexual assault within our ranks and ensuring that sexual assault cases are processed through a fair, effective, and efficient military justice system. We must ensure that all changes to the system do not adversely impact the interests of justice, the rights of crime victims, or the due process rights of the accused.

Suicide. Another critical problem we are focused on is suicides. Suicides in the Navy declined last year by 28%, from 65 in 2012 to 47 in 2013. This is cautiously optimistic, but one suicide is still one too many. Preventing suicide is a command-led effort that leverages a comprehensive array of outreach and education. We cannot tell precisely what combination of factors compel an individual to contemplate suicide, so we address it by elevating our awareness and responsiveness to individuals we believe may in trouble. For example, all Sailors learn about bystander intervention tool known as "A.C.T." (Ask – Care – Treat) to identify and encourage at-risk shipmates to seek support. We also know that investing in the resilience of our people helps them deal with any challenge they may face.

Resilience. Our research shows that a Sailor's ability to steadily build resilience is a key factor in navigating stressful situations. Education and prevention initiatives train Sailors to recognize operational stress early and to use tools to manage and reduce its effects. Our Operational Stress Control (OSC) program is the foundation of our efforts to teach Sailors to recognize stressors in their lives and mitigate them before they become crises. In the past year, we expanded our training capacity by 50% and increased OSC mobile training teams (MTT) from four to six. These MTT visit each command within six months of deployment and teach Sailors resiliency practices to better manage stress and avoid paths that lead to destructive behaviors.

In addition, we are strengthening support to Sailors who are deployed in unfamiliar surroundings. We have started a program to assign trained and certified professionals as Deployed Resiliency Counselors (DRC) to our largest ships, the CVN and LHA/D. DRC are credentialed clinical counselors that can assist or provide support to Sailors who are coping with or suffering from common life events, common life stressors, and discrete traumatic events that may include sexual assault. This initiative extends the reach of Navy's resiliency programs to

deployed commands and allows a "warm hand-off" to shore services when the Sailor returns to homeport.

Character Development. At all levels in the Navy, leadership, character, and integrity form the foundation of who we are and what we do. These bedrock principles are supported by our culture of accountability, command authority, and personal responsibility. Leadership failures and integrity shortfalls undermine our organization and erode public trust. We will continue to reinforce standards and hold those who violate the rules appropriately accountable.

One avenue by which we instill character and ethics in our leaders is by teaching ethics education and character development in the College of Operational and Strategic Leadership at the Naval War College. Building on this effort and other guidance to the force, in January 2013, I approved the *Navy Leader Development Strategy* to promote leader character development, emphasize ethics, and reinforce Navy Core Values. This strategy provides a common framework to develop Navy leaders at every stage of a Sailor's career. We are implementing an integrated framework through a career-long continuum that develops our leaders with the same attentiveness with which we develop our weapons systems. The focus on character development in our professional training continuum has increased, and we employ techniques such as "360 degree" assessments and peer mentoring to help young officers better prepare to be commanding officers. The *Navy Leader Development Strategy* reemphasizes and enhances the leadership, ethics, and professional qualities we desire in our force.

Family Readiness Programs. Family readiness is fully integrated into our Navy's call to be ready. The critical programs which support our families are also overseen by the policy and resourcing lens of our 21st Century Sailor Office. These programs and services assist Sailors and their families with adapting to and coping with the challenges of balancing military commitment with family life. Fleet and family support programs deliver services in four key areas: deployment readiness, crisis response, career support and retention, and sexual assault prevention and response.

This past year, our Family Advocacy program (FAP) has implemented the DoD Incident Determination Committee (IDC) & Clinical Case Staff Meeting (CCSM) model Navy-wide. This model ensures standardization and consistency in child abuse and domestic abuse decision-

making. It also guarantees that only those with clinical expertise in child abuse and domestic abuse are involved in determining treatment plans.

Other career and retention support services include the family employment readiness program, personal financial management, and the legislatively mandated Transition Goals, Plan, Success program to assist separating Sailors. Increased stress and longer family separations have amplified program demand and underlined the importance of these support programs and services to ensure the psychological, emotional and financial well-being of returning warriors and their families. Financial issues are still the number one cause of security clearance revocation and our financial counselors have noted an increase in the number of Sailors entering the Service with debt, including student loan debt. We continually monitor the environment for predatory lending practices targeting Service Members and families.

Auditability. To be good stewards of the funding appropriated by Congress, effective internal controls over our business operations and auditability of our outlays is essential. It remains our goal to achieve full financial auditability by the end of FY 2017. Our near-term objective is to achieve audit readiness on the Department of the Navy's Schedule of Business Activity (SBA) in FY 2014, and thus far, eight of the ten components of Navy's SBA have been asserted as audit ready. In the area of property management, the Department has asserted audit readiness for seven of thirteen property subclasses, and four of those have been validated as audit ready. Continuing resolutions and sequestration in FY 2013 and FY 2014 have had no measurable impact on our ability to meet the FY 2014 SBA auditability mandate, but they have increased risk to our ability to meet the FY 2017 full financial auditability requirement.

Conclusion

We believe it is vital to have a predictable and stable budget to develop and execute an achievable program to conduct the ten primary missions outlined in the DSG, and support the pillars and "rebalance" called for in the QDR.

PB-15 proposes the best balance of Navy capabilities for the authorized amount of funding. It sustains sufficient afloat readiness in today's Navy but accepts more risk while

building a future fleet that is able to conduct full-spectrum operations. I remain deeply concerned that returning to BCA revised caps spending levels in FY 2016 will lead to a Navy that would be too small and lacking in the advanced and asymmetric capabilities needed to conduct the primary missions required by our current guidance: the DSG and the QDR.