

**HEARING TO RECEIVE TESTIMONY ON THE
IMPACTS OF SEQUESTRATION AND/OR A
FULL-YEAR CONTINUING RESOLUTION ON
THE DEPARTMENT OF DEFENSE**

TUESDAY, FEBRUARY 12, 2013

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

The committee met, pursuant to notice, at 9:35 a.m. in room SD-G50, Dirksen Senate Office Building, Senator Carl Levin (chairman) presiding.

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

Committee staff members present: Richard D. DeBobes, staff director; and Leah C. Brewer, nominations and hearings clerk.

Majority staff members present: Jonathan D. Clark, counsel; Creighton Greene, professional staff member; Gerald J. Leeling, counsel; Peter K. Levine, general counsel; Jason W. Maroney, counsel; Roy F. Phillips, professional staff member; John H. Quirk V, professional staff member; and William K. Sutey, professional staff member.

Minority staff members present: John A. Bonsell, minority staff director; Steven M. Barney, minority counsel; Allen M. Edwards, professional staff member; Thomas W. Goffus, professional staff member; Ambrose R. Hock, professional staff member; Anthony J. Lazarski, professional staff member; Daniel A. Lerner, professional staff member; Lucian L. Niemeyer, professional staff member; and Robert M. Soofer, professional staff member.

Staff assistants present: Jennifer R. Knowles, Kathleen A. Kulenkampff, and Lauren M. Gillis.

Committee members' assistants present: Carolyn Chuhta, assistant to Senator Reed; Jeff Fatora, assistant to Senator Nelson; Jason Rauch, assistant to Senator McCaskill; Casey Howard, assistant to Senator Udall; Brian Nagle, assistant to Senator Hagan; Mara Boggs, assistant to Senator Manchin; Chad Kreikemeier, assistant to Senator Shaheen; Elana Broitman, assistant to Senator Gillibrand; Ethan Saxon, assistant to Senator Blumenthal; Marta McLellan Ross, assistant to Senator Donnelly; Karen Courington, assistant to Senator Kaine; Jim Catella, assistant to Senator King; Paul C. Hutton IV, assistant to Senator McCain; Lenwood Landrum, assistant to Senator Sessions; Todd Harmer, assistant to

Senator Chambliss; Joseph Lai, assistant to Senator Wicker; Brad Bowman, assistant to Senator Ayotte; Peter Schirtzinger, assistant to Senator Fischer; Craig Abele, assistant to Senator Graham; and Brooke Bacak, assistant to Senator Cruz.

OPENING STATEMENT OF SENATOR CARL LEVIN, CHAIRMAN

Chairman LEVIN. Good morning, everybody.

The committee meets this morning to consider the impacts of sequestration and a full-year continuing resolution on the Department of Defense.

We welcome Deputy Secretary of Defense Ash Carter and Chairman of the Joint Chiefs of Staff General Martin Dempsey, who are accompanied at the witness table by the following friends and patriots: Under Secretary Defense, Comptroller, Robert Hale; Chief of Staff of the Army, General Ray Odierno; Vice Chief of Naval Operations, Admiral Mark Ferguson; Commandant of the Marine Corps, General James Amos; Chief of Staff of the Air Force, General Mark Welsh; and Chief of the National Guard Bureau, General Frank Grass.

I would like to start by thanking all of you for your continued service to our Nation, and please convey our thanks to the soldiers, sailors, airmen, and marines at home and in harm's way around the globe. They and their families deserve our utmost support.

Some Members of Congress and commentators in the press have said that we should let sequestration go into effect, that it would be better to severely cut the budget than to work out a deficit reduction agreement that would require compromise. I could not disagree more. Sequestration is arbitrary and irrational. It will not only weaken our security but, as Secretary Panetta said: "It's not just defense, it's education, loss of teachers, it's child care. It's food safety, it's about law enforcement, it's about airport safety."

Now, if sequestration and a year-long continuing resolution go into effect, the impact on the Department of Defense will be devastating. For example, the Army requested \$36.6 billion in its 2013 budget, but under the continuing resolution rules, it gets only the fiscal year 2012 amount of \$30.6 billion. Sequestration would cut an additional \$6 billion. Because the Army has already spent \$16 billion, it would only have \$8 billion left to get through the rest of the fiscal year. And moreover, unexpectedly high operational demands will require that as much as \$6 billion of the remaining funds be spent on overseas operations, leaving the Army with only \$2 billion for domestic operation and maintenance during the next 7 months. It has budgeted for \$20 billion. So it would have 10 percent of what it needs for O&M during the next 7 months if the year-long CR and sequestration go into effect. That is just one of hundreds of examples.

We are going to hear today that the military services are already taking near-term actions to mitigate the impacts of the continuing resolution and the impending sequester. For example, the Department of Defense has already instituted civilian hiring freezes, reduced or eliminated temporary and term employees, and deferred facilities maintenance and begun cancelling or postponing the maintenance of ships, aircraft, and ground vehicles. If sequestration is implemented, they will begin to implement additional ac-

tions, including furloughs for most civilian employees, cutbacks in flying hours, steaming hours, and other military training, and cancellation of contracts. In addition, hundreds of Department of Defense investment programs, acquisition programs and research and development projects may become literally unexecutable.

Even if many of the short-term actions are still reversible if we act promptly, they will have long-term costs, and the longer Congress postpones action, the higher those costs will be. For example, the Army informs us that if sequestration continues through the end of the fiscal year, two-thirds of its brigade combat teams will fall below acceptable readiness levels. The Air Force says it will not be able to support requirements outside of Afghanistan and will experience significant degradation in its air drop and refueling capabilities. The Navy says the Nimitz and George H.W. Bush carrier strike groups will not be ready for scheduled deployments later this year, resulting in an indefinite extension of the Truman and Eisenhower deployments, with the resulting impact, the negative impact, on morale and retention. By the end of the summer, the Department of Defense says it will be unable to pay its TRICARE bills and will be in a position of having to deny service to military members, families, and retirees.

Now, there are bipartisan solutions to both the continuing resolution problem and the sequester threat. We cannot afford to look the other way and pretend there is not a huge, looming problem. A year-long CR and sequestration will undermine the national defense. And the danger of the international situation was highlighted again yesterday when North Korea had a very provocative nuclear test. We cannot allow these actions, a sequestration and year-long CR, to occur in the middle of this kind of a world. It will create a huge and unconscionable problem for our men and women in uniform and their families, and it is incumbent on Congress and the President to find a solution together.

Senator Inhofe.

Senator Inhofe and I have talked about how to work through this morning's schedule. At 11 o'clock, the Senate is currently scheduled to have perhaps four and maybe even five votes. We are going to have a very short question period after our opening statements and after your opening statements, our panel speaks. And it is possible, at least, that we could finish by a few minutes after 11:00. If that does not happen, we would then adjourn for perhaps an hour, come back at perhaps 12:00 or so for about another hour. I hope that does not happen, but it very well may. We have a large committee and everybody here is very much interested in the solution to the sequestration and the year-long continuing resolution threat that looms before us. So that is the best we are going to be able to do this morning. It is the Senate at its full glory.

And I now call upon Senator Inhofe.

STATEMENT OF SENATOR JAMES M. INHOFE

Senator INHOFE. Thank you, Mr. Chairman.

There are 16 days remaining between today and March the 1st, 16 days that will define our military strength for the coming decades. Just last week, the Secretary of Defense abruptly announced that he has indefinitely delayed the deployment of the Truman car-

rier strike group in the Middle East, denying the two carrier force presence our commander in the region has urgently requested over a long period of time.

Admiral Winnefeld—I am going to run through this pretty quick, Mr. Chairman. Admiral Winnefeld, Vice Chairman of the Joint Chiefs, recently made a statement. I want to make sure it gets in the record here. He said: “I know of no other time in history when we have come potentially down this far, this fast, in the defense budget. There could be, for the first time in my career, instances where we may be asked to respond to a crisis and we will have to say that we cannot” do it.

The Secretary of Defense in the hearing that took place the other day on Benghazi made it very clear that we do not have the assets necessary to carry out some of the things to adequately protect and defend and offer security to our people. This is something that is not acceptable. This is what Government is supposed to be doing.

The Department of Defense has absorbed almost \$600 billion in defense. We know all about that. With sequestration, with the CR problems that are there, we are looking at up to, over this period of 10 years, \$1 trillion cut and it cannot take place.

Mr. Chairman, this hearing is absolutely critical to allow the Joint Chiefs to provide their frank and honest assessment about the impact to the services, the loss of capabilities and readiness, and the mismatch between the resources and strategy. We are going to have to work together to ensure that the American people understand how serious this is. And that is the reason for this hearing today.

Last week, led by Senator Ayotte, Senators McCain, Graham, and I introduced a bill to mitigate the impact of sequestration through the end of the fiscal year and provide the Department with the flexibility it desperately needs to operate under the continuing resolution. It is not a perfect solution, but it is better than doing nothing.

There is a growing concern that the President will not seriously negotiate with Congress on a compromise to sequestration until after it takes place on March 1st, and each Member of Congress hears of the pain affecting their constituents. But the real pain will be felt by the men and women serving our country who will see the resources they need to defend the Nation arbitrarily.

So, anyway, that is what this hearing is all about. And I will have questions, and one of them is going to be specifically—and I hope that you folks will be covering this. This is the request. Not to hold back to show how tragic this is, show what increased risk, which is increased loss of lives, is going to result from this. And that is what we expect in this hearing.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you very much, Senator Inhofe. Secretary Carter?

STATEMENT OF HON. ASHTON B. CARTER, DEPUTY SECRETARY OF DEFENSE; ACCOMPANIED BY HON. ROBERT F. HALE, UNDER SECRETARY OF DEFENSE (COMPTROLLER)

Dr. CARTER. Thank you, Mr. Chairman, Senator Inhofe, all the members of the committee. I am going to be very brief because I

think what you would like to get to and we would like to get to is the specifics of the impacts of these two budget circumstances that we face, first of all, sequestration, and the second, the possibility of the continuing resolution going on for the entire year.

I thank you for this hearing, and I mean that from the bottom of my heart. We welcome an opportunity to describe these impacts. Secretary Panetta and I have been using the word "devastating" for 16 months now, and I testified last August to the consequences of sequestration if it was to occur. And now the wolf is at the door.

You who know us, who understand us, and know national security inside and out by virtue of your service on this committee, are critical because I am hoping that when we describe what the consequences of these things are for national defense as we see it and give you the information that you need, that you can, in turn, communicate to your colleagues in the Congress and that we can move in the direction of the comprehensive solution to both these problems that you referenced.

To Senator Inhofe, absolutely we will provide that information. We are still—and we will continue to be for some months—working through the managerial consequences of this situation, and as we do, we will provide to this committee as complete information as we have, organized in any way you want. And today is a start in that regard.

The problem comes in two tiers. The first is that sequestration, which is scheduled to kick in just 2 weeks' time, requires us to subtract from our budget for the remainder of fiscal year 2013 \$46 billion, and as the chairman indicated, to do it in a way, the worst way managerially, namely, to take equal shares or proportionate shares from each and every part of the budget, which is obviously not what you would do if you were trying to be sensible from a managerial point of view.

Second, the continuing resolution that we are operating under now going into 5 to 6 months creates a different kind of problem for us. It has enough money in it overall, but as you indicated, Mr. Chairman, it does not have enough operations and maintenance money. And you put those two things together and in this year there is a drastic shortfall in the funding that we need to do training. And training, in turn, impacts readiness, and readiness is our capacity to fight in other places in Afghanistan. We are protecting funding for Afghanistan.

And as you know, under sequester the President has decided to exempt military personnel from sequestration, and we have made some other limitations. In my direction to the Department, I have made some other limitations. We will protect wounded warrior programs. In addition to the wars, we will protect urgent operational needs. We will protect, to the extent we can, capabilities that are critical to our new defense strategy. But the reality is we cannot protect much of which is now of value to the country.

So in the near term, what you have this year in the next few months is a true crisis in military readiness. If the caps imposed that accompany sequester are continued for the next 10 years, as is the plan in the Budget Control Act, we are going to have to change our national defense strategy. Those cuts are too large, too

sustained for us to implement the strategy that we crafted under the President's guidance just 1 year ago.

I understand, Mr. Chairman—and I have long understood—that the Department of Defense must contribute to the resolution of the Nation's fiscal situation, and that is why we have accommodated \$487 billion in cuts last year and before that, under Secretary Gates, made several hundred billion dollars of additional cuts in defense spending largely by removing unneeded or under-performing programs.

We are also making, as you referenced Admiral Winnefeld as having said, an historic adjustment associated with the winding down of a decade dominated by the wars in Iraq and Afghanistan. We are making that adjustment as well.

I also understand that the taxpayer deserves careful use of every dollar we do get, and that is why we have striven and we will continue to strive to get better buying power for the defense dollar and reform the acquisition system. But both the strategic approach to deficit reduction and efficient use of defense dollars will be undermined by sequestration.

And what is particularly tragic is that sequestration is not a result of an economic recession or an emergency. It is not because discretionary spending cuts are the answer to our Nation's fiscal challenge. You can do the math. It is not in reaction to a more peaceful world. You referenced the North Korean nuclear test this morning. It is not due to a breakthrough in military technology or to a new strategic insight. It is not because the paths of revenue growth and entitlement spending have been explored and exhausted. It is not because sequestration was ever a plan that was intended to be implemented. All this is purely the collateral damage of political gridlock.

For our troops, for the force, the consequences are very real and very personal. I will give you a few examples. I told you that we intend—the President intends to spare military personnel spending from sequestration. But the troops will feel the effects of this very directly in other ways. For example, you referenced the cancellation of a carrier deployment. We had to do that because we had to recognize that we were going to run out of operations and maintenance funds in the Navy later in the year, and we made the decision to not deploy the carrier but instead keep it here in the United States so that we would have the capacity to deploy it later if we needed it. If we deploy it now, we would not have the capacity to have a carrier deployed there in the future. We had to make that decision. All of the sailors on that aircraft carrier were ready to go. Their families were ready to go. They had made plans for where they were going to live, for family care, schools, all those things that go with sending a loved one on a deployment. All that needed to change within a few days.

Army units that are coming down—I visit them around the country—coming back from Afghanistan are used to being at the highest state of readiness, being trained and ready. And what motivates them—what should motivate them is mission. By the end of the year—and I think General Odierno will detail this—they will not be training in the way that their profession requires them to. So it will have a big effect on our uniformed people.

For our much maligned civilians, you know, a lot of people think that DOD civilians are people who live in the Washington suburbs and get up in the morning and come in and go to work in an office building here. They are not. They are mostly people at depots and shipyards that are fixing our equipment. 44 percent of them are veterans. 86 percent of them do not even live in the Washington area. And later in the year in just 2 weeks' time, we are going to have to institute a process of furloughing them, which we will do consistent with the law and our requirements to you. But the net of it is that many of them will be furloughed for as many as 22 days before April 1st, say, and the end of the year; in other words, a fifth of their paycheck gone. So that is a real human impact.

I cannot be furloughed under the law because I am a presidential appointee, but I am going to give back a fifth of my salary in the last 7 months of the year if other people in the Department are getting sequestered. So there is a real human impact here.

And the last impact I would like to call to your attention is that on our defense industry. You know, we depend on our defense industry because it, second only to the magnificent people we have in uniform, is what makes our military great. And the effects of sequestration are going to be very significant on the defense industry, and we see it already. We depend upon them to be able to attract and retain science and technology talent. We need them to be financially successful. But many of our industry partners are beginning now to curb internal investment, maintain a very liquid position. The effects of this uncertainty are beginning to show up in terms of investor confidence in our industry, their ability to attract and retain workers, and the requirement to stretch programs, reduce buy rates. And all of that introduces the inefficiency into our procurement system.

So for the force, military, civilian, and industry, the consequences are very direct and very devastating.

I would just close with an appeal that I would ask you to convey to your colleagues in Congress. We need to deal very quickly and broadly with our deficit problems in a balanced way that the President can support and Congress can support. We need to detriquer sequestration. We need to pass appropriations bills for all our Federal agencies for that matter.

I understand that there is probably not enough time to accomplish all of these far-reaching actions before sequestration is triggered on March 1st, but I would urge at least that Congress delay sequestration.

But as I emphasized, the cloud of uncertainty hanging over our Nation's defense affairs is already having lasting and irreversible effects, and ultimately the cloud of sequestration needs to be dispelled and not just moved to the horizon. And however this is done, the magnificent men and women of the Department of Defense and their families deserve no less. They need to know with certainty that we will meet our commitments to them.

Our partners in the defense industry and their employees need to know that we are going to have the resources to procure the world-class capabilities they can provide and that we can do so efficiently.

And perhaps most important, allies, partners, friends, and potential foes the world over need to know that we have the political will to implement the defense strategy we have put forward.

Thank you.

[The prepared statement of Mr. Carter follows:]

Chairman LEVIN. Thank you, Secretary Carter.

General Dempsey.

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

General DEMPSEY. Thanks, Mr. Chairman, Senator Inhofe, distinguished members. Thanks so much for holding this hearing on such an important readiness matter.

If sequestration occurs, it will severely limit our ability to implement our defense strategy. It will put the Nation at greater risk of coercion, and it will break faith with the men and women in uniform. We have and will continue to be part of the Nation's economic recovery. We are committed to remaining responsible stewards of the Nation's treasures as we work to build an affordable and unrivaled joint force for 2020.

To do this, we need budget certainty. That is, we need the antithesis of sequestration: a steady, predictable funding stream.

We also need the time to implement reductions in a responsible manner over a manageable timeline.

And finally, we need the flexibility to transfer and reprogram money to our highest priorities. Readiness loses when major portions of the budget are untouchable. Everything needs to be on the table.

Personally I believe we should resist kicking this problem further down the road. Failing to act is a choice of itself, one that will eventually require a progressive contraction of security commitments around the world and a less proactive approach to protecting our interests.

When I testified before this committee last year, I said that if we fail to step off properly on this budget, we will reduce our options and, in so doing, increase our risk. Our military power will be less credible because it will be less sustainable. Now we are only a few days away from making that a reality.

We can do better. Our Nation, our servicemembers, and their families expect us to do better. More importantly, a turbulent world that relies on American leadership demands that we do better.

Thank you.

[The prepared statement of General Dempsey follows:]

Chairman LEVIN. Thank you very much, General Dempsey.

Secretary Hale, do you have anything at this point? Okay, thank you.

General Odierno?

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

General ODIERNO. Thank you, Mr. Chairman, Ranking Member Inhofe, and other distinguished members.

Nearly 18 months ago, you charged me with leading our Army and providing you with my best military advice. Over the course

of my 36-year career, I have commanded at every level, including division, corps, and theater command in combat. I know what it takes to prepare this Nation's sons and daughters for war. I know what it takes to grow leaders in our Army. I know what is required to send soldiers into combat, and I have seen firsthand the consequences when they are sent unprepared. I began my career in a hollow Army. I do not want to end my career in a hollow Army.

Today the global environment is the most uncertain I have seen in my 36 years of service. It is unpredictable and dynamic. We simply do not know when we will have to deploy soldiers to fight again. But history tells us that we will. We owe it to them to ensure they have the proper resources to be ready when needed.

The fiscal outlook which the U.S. Army faces in fiscal year 2013 is dire and, to my knowledge, unprecedented. In addition to the \$170 billion in cuts to the Army levied by the Budget Control Act of 2011, the combination of the continuing resolution, a shortfall in overseas contingency operation funds for Afghanistan, and the sequester in fiscal year 2013 has resulted in a \$17 billion to \$18 billion shortfall to the Army's operation and maintenance accounts, as well as an additional \$6 billion cut to other programs. All of this will come in the remaining 7 months of this year.

The fiscal year 2013 fiscal situation will have grave and immediate readiness impacts on all forces not serving in Afghanistan or forward in Korea, impacts which will have a significant impact well into fiscal year 2014 and beyond. Just a few of the actions we will be forced to take are, for example: we will curtail training for 80 percent of ground forces. This will impact our units' basic warfighting skills and to do shortfalls across critical specialties, including aviation, intelligence, engineering, and even our ability to recruit soldiers into our Army.

We have directed an immediate Army-wide hiring freeze, and we will terminate an estimated 3,100 temporary and term employees.

We will furlough up to 251,000 civilians for up to 22 days.

We will cancel third and fourth quarter depot maintenance which will result in the termination of an estimated 5,000 employees and a significant delay in equipment readiness for 6 divisions at an estimated \$3.36 billion impact to the communities surrounding our depots.

For fiscal year 2014 and beyond, sequestration will result in the loss of at least an additional 100,000 personnel, soldiers from the Active Army, the Army National Guard, and the U.S. Army Reserve. Combined with previous cuts, this will result in a total reduction of at least 189,000 personnel from the force, but probably even more than that. These reductions will impact every Army base and every installation in the Army.

Sequestration will result in delays to every 1 of our 10 major modernization programs, the inability to reset our equipment after 12 years of war, and unacceptable reductions in unit and individual training. These cuts will be felt across the entire country.

Since 2008, the total Army budget will have been reduced by 37 percent. If sequestration is enacted, it will be greater than 45 percent.

In my opinion, sequestration is not in the best interest of our national security. It will place an unreasonable burden on the shoul-

ders of our soldiers and civilians. We will not be able to execute the Department of Defense Strategic Guidance as we developed last year.

I understand the seriousness of our country's fiscal situation. We have and we will continue to do our part, but the significance of these budget reductions will directly impact our ability to sustain readiness today and into the future. We simply cannot take the readiness of our force for granted. If we do not have the resources to train and equip the force, our soldiers, our young men and women, are the ones who will pay the price potentially with their lives. It is our responsibility, the Department of Defense and Congress, to ensure that we never send soldiers into harm's way that are not trained, equipped, well-led, and ready for any contingency, to include war. We must come up with a better solution.

Thank you so much for allowing me to testify in front of you today.

[The prepared statement of General Odierno follows:]

Chairman LEVIN. Thank you so much, General Odierno.

Now Admiral Ferguson.

STATEMENT OF ADM MARK E. FERGUSON III, USN, VICE CHIEF OF NAVAL OPERATIONS

Admiral FERGUSON. Chairman Levin, Senator Inhofe, and distinguished members of the committee, thank you for the opportunity to testify on this important issue.

Simply stated, the combined effect of a year-long continuing resolution and sequestration will reduce our Navy's overseas presence and adversely impact the material readiness and proficiency of our force, thus limiting the President's options in time of crisis.

Of equal concern, we will irreversibly damage the industrial base that we depend upon to build and maintain our ships and aircraft.

Under these circumstances, we assess your Navy will be limited in its ability to provide the capability and capacity called for in the current defense strategy. The Navy will be unable to execute all the naval force requirements of the combatant commanders.

The impact of the continuing resolution is already being felt across the force as we reduce our operations and maintenance spending by \$4.6 billion over the remainder of the fiscal year. Because we are operating under a continuing resolution, we also do not have congressional authority to initiate new programs or adjust funding for ongoing programs. Over \$5 billion in planned fiscal year 2013 investments are affected.

For example, we will be compelled to delay the start of construction of *John F. Kennedy*, CVN-79; the completion of America, LHA-6; as well as cancel procurement of an *Arleigh Burke*-class destroyer and hundreds of weapons. Without congressional authority, the carrier *Abraham Lincoln* must remain moored at Naval Station Norfolk rather than start her overhaul, and we will not be able to complete the current overhaul of the USS *Theodore Roosevelt*.

These debilitating effects will be compounded by the devastation of sequestration should it execute in its present form on March 1st. On that date, the Navy will face an additional reduction in this fiscal year of \$4 billion to our operation and maintenance account and a reduction of over \$7 billion to our investment accounts. The im-

mediate impact will be to our fleet operations and depot maintenance. We anticipate reducing flight operations and underway days for our deployed forces, cancelling deployments, deferring more maintenance on ships and aircraft, suspending most non-deployed operations such as training and certifications, along with other cost-cutting measures. We will immediately erode the readiness of the force.

Over the long term, the discretionary budget caps under sequestration will fundamentally change our Navy. We will be compelled to reduce our force structure, our end strength, and investments as we lower funding levels in the altered landscape of our industrial base.

Like many Americans, our sailors, civilians, and their families are experiencing increased anxiety as a result of this fiscal uncertainty such as the Truman strike group that you alluded to, Senator. We must be mindful of the corrosive effect of this uncertainty on the morale of our people and be vigilant regarding the potential effects of sequestration on the propensity of our force to stay with us and of new recruits to join. Accordingly, we will make every effort to sustain family and sailor support programs.

We ask that Congress act quickly to reduce the magnitude of these reductions and replace the mechanism of sequestration with a coherent approach that addresses our national security interests.

Additionally, we request that Congress enact an fiscal year 2013 appropriations bill or other legislation that provides appropriate authorities for new starts and transfer authority between our accounts to address our immediate shortfalls.

We look forward to working with the Congress to resolve this fiscal uncertainty, and we must ensure that our Navy remains ready and capable to protect our Nation's security and prosperity.

I appreciate the opportunity to testify today and look forward to your questions. Thank you.

[The prepared statement of Admiral Greenert follows:]

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

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

General AMOS. Chairman Levin, Ranking Member Inhofe, committee members, thank you for the opportunity to testify before this committee on the potential impacts of sequestration. This topic is one of high importance with implications not only to our fiscal health but also our Nation's necessary leadership in the global community.

Speaking as a member of the Joint Chiefs of Staff, a critical measure of the effectiveness of our Armed Forces is its readiness. Sequestration by its magnitude, its timing, and its methodology will have a devastating impact on readiness both short-term and long. Combined with the effects of the existing continuing resolution, sequestration creates unacceptable risk, risk to our strategy, risk to our forces, risk to our people, and lastly risk to our Nation.

Regarding strategy, maintaining a free international economic system and a just international order are linchpins to our Defense Strategic Guidance. The effects of disruption to this global order

are readily observed in rollercoaster energy prices, fluctuating global markets, sovereign behavior, and economic uncertainty. Failing to provide leadership in the collective security of this global order would have significant economic consequences for the American people. Worse, the lapse in American leadership would create a void in which old threats would be unaddressed and new security challenges would find room to grow. There should be no misunderstanding. The combined effect of the continuing resolution and sequestration will have deleterious effect on the stability of global order, the perceptions of our enemies, and the confidence of our allies.

Sequestration should not be viewed solely as a budget issue. Our collective actions in the next months will be scrutinized on a global stage and even the perception of a disruption of our Nation's ability to protect its global interests could well have strategic consequences.

Regarding risk to our forces, the linkage between resources and readiness is immediate and visible. The scale and abrupt implementation of sequestration will have devastating impacts on readiness. Sequestration will leave ships in ports, aircraft grounded for want of necessary maintenance and flying hours, units only partially trained and reset after 12 years of continuous combat, and modernization programs cancelled.

Because of our special role as America's crisis response force, marines place a high premium on readiness. I have done everything in my authorities to date to preserve the tenets of a ready Marine Corps. I will continue to do so. Under a continuing resolution, I have kept deploying units ready but only by stripping away the foundations of the long-term readiness of the total force. While these short-term adaptations are possible, the enduring effects of some of these decisions put us at an unsustainable tipping point. By the end of this year, more than 50 percent of my combat units will be below minimal acceptable levels of readiness for deployment to combat.

In a sense, we are eating our seed corn to feed current demands, leaving less to plant for the long-term capabilities of the force. This pattern inevitably leads to a hollow force and its impacts are already being felt under the continuing resolution.

The most troubling and immediate risks are those that sequestration imposes on our people. Sequestration does not hurt things. It hurts people. The qualitative edge that the American servicemember takes to the battlefield is the fundamental advantage that differentiates our forces from our enemies. This qualitative combat edge will be severely eroded by the impacts of sequestration, leaving marines and other servicemembers with inadequate training, degraded equipment, and reduced survivability.

While military pay and allowances have been exempted in this round of sequester, the quality of life for the All-Volunteer Force and their families will inevitably suffer as we reduce family programs and installation maintenance. Our civilian marines will likewise be impacted. The 95 percent of our civilian workforce that is employed well outside the confines of the National Capital Region are the Guards at our gates, our budget experts who pay our bills, our acquisition professionals, the therapists who treat our wound-

ed, and the experts who repair our equipment, and finally the teachers who instruct our children. The economic impacts to these families and their local communities are put at risk by either short-term furlough or long-term termination. Protecting our ability to keep faith with our wounded warriors is a top priority in my Marine Corps, but even this, this most sacred of responsibilities, will increasingly be placed at risk.

In closing, allow me to articulate one more set of risks, the risk to our Nation. In the final analysis, sequestration asks the most from those who have borne the greatest sacrifice. It invalidates the careful planning of the services to manage a predictable resource decline, replacing it instead with a dramatic resourcing cliff that guarantees inefficiency, waste, and its accommodation. The effects of sequestration over the long term will threaten the foundations of the All-Volunteer Force, putting the Nation's security on a vector that is potentially ruinous. It dramatically shapes perceptions of our Government as both an employer and as a customer, reducing confidence throughout institutions.

These are all risks that demand our immediate attention and action. By its scale, timing, and inflexibility in implementation, sequestration greatly aggravates our national risk profile, all at a time of strategic rebalancing and change. I urge the committee to consider the full range of risks created by this legislation and ask for your assistance in mitigating them to the extent possible.

Thank you and I look forward to answering your questions.

[The prepared statement of General Amos follows:]

Chairman LEVIN. Thank you, General Amos.

General Welsh?

STATEMENT OF GEN. MARK A. WELSH III, USAF, CHIEF OF STAFF OF THE AIR FORCE

General WELSH. Thank you, Mr. Chairman, Ranking Member Inhofe, members of the committee. It is always an honor to appear before you.

In line with what you have already heard, sequestration threatens to carve crucial capability from America's Air Force with alarming and immediate effects on people, readiness, and infrastructure and eventually on modernization. Sequestration represents a potential \$12.4 billion top line reduction for the Air Force in fiscal year 2013, affecting every account and program. If it occurs, it will significantly undermine your Air Force's readiness and responsiveness today. It will significantly impact the Air Force civilian workforce in the coming months, and its impact on modernization will clearly affect the Air Force's future capability.

I know your staffs have the specific examples from all the services, but just to highlight a few.

Sequestration will result in an involuntary 22-day furlough, as the Deputy Secretary mentioned, that will affect 180,000 civilian airmen. That deprives our Air Force of over 31.5 million man-hours of productivity and specialized expertise this year. It will result in a loss of over 200,000 flying hours. While we will protect flying operations in Afghanistan and other contingency areas, nuclear deterrence, and initial flight training, roughly two-thirds of our active duty combat Air Force units will curtail home station training be-

ginning in March and will drop below acceptable readiness levels by mid-May. Most will be completely non-mission capable by July.

Sequestration will cut 30 percent of our remaining weapon system sustainment funds, which means we will need to postpone approximately 150 aircraft and 85 engines from depot induction, creating a backlog that could take years for us to recover.

The Air Force's global vigilance reach and power make it one of America's premier asymmetric advantages. The strategic agility and responsiveness require a high state of readiness. Sacrificing that readiness jeopardizes the many strategic advantages of air power. And from a parochial Air Force perspective, sequestration will have an immediate effect on our ability to respond to multiple concurrent operations around the globe, something we have been asked to do many times in the past, along with our sister services.

Longer term, sequestration cuts to Air Force modernization will impact every one of our investment programs. These program disruptions will, over time, cost more taxpayer dollars to rectify contract breaches and time delay and efficiencies, raise unit costs, and delay delivery of validated capabilities to warfighters in the field. The Air Force is long overdue for reconstitution following 2 decades of war. Our inventory still includes aircraft that are as old as I am, and our force is as small as it has ever been since becoming a separate service. Now we find ourselves stuck in the unenviable trade space between readiness and modernization and we need your help to get out.

I urge Congress to do all that is necessary to avert the arbitrary cuts of sequestration and to pass an appropriations measure for the current fiscal year. And I look forward to your questions.

[The prepared statement of General Welsh follows:]

Chairman LEVIN. Thank you, General Welsh.
And now General Grass.

STATEMENT OF GEN FRANK J. GRASS, NGB, CHIEF, NATIONAL GUARD BUREAU

General GRASS. Chairman Levin, Ranking Member Inhofe, members of the committee, it is an honor and privilege to be here today.

The greatest threat to the National Guard today is the continued uncertainty over their budget. I provided all 54 adjutants general with a summary of near-term measures to assist them in mitigating budget risk and threats to our readiness. However, without near-term relief, our ability to respond to domestic and other contingencies will decline.

In personnel, we are implementing a civilian hiring freeze and not renewing temporary civilian employees. We are planning to defer sustainment and maintenance requirements for our aircraft, vehicles, and facilities. The National Guard is reviewing every bit of overhead across our force. We are curtailing conference attendance and all travel and training that is not mission-essential and produce readiness.

Full sequestration and a year-long continuing resolution will directly impact the readiness of our units and will have an impact on the full range of National Guard activities.

In the area of personnel, a Government, civilian, and military technician hiring freeze, compounded by a possible 22-day furlough,

will limit our ability to train and maintain our National Guard forces.

In the area of maintenance, current depot backlogs, coupled with the loss of reset dollars, will reduce National Guard equipment availability and readiness.

In the area of facilities, sustainment, restoration, and modernization cuts will degrade an already aging armory infrastructure. The continuing resolution prohibits any new starts on our military construction, further threatening armory and facility modernization master plans.

And finally, in the area of training, a near-term lack of operations and maintenance funds will cut our flying hour program and reduce our vehicle miles in operations and maintenance causing reduced readiness. If not addressed, we will be forced to park vehicles and aircraft.

In a matter of months, our readiness as an operational force for our Nation's defense and as an immediate homeland response capability available to the Governors will erode.

Thank you for the opportunity to appear before you today, and I look forward to your questions.

[The prepared statement of General Grass follows:]

Chairman LEVIN. Thank you, General Grass.

We are going to start with a 3-minute first round and see whether or not that may actually get us to where we need to go. And I am going to yield to Senator Kaine.

Senator KAINE. Thank you, Mr. Chair, Mr. Ranking Member, my colleagues, and to the military leadership assembled, I appreciate your courtesy.

Yesterday, unrelated to this hearing, I visited one of the premier medical facilities in the United States, the Fort Belvoir community hospital, to visit with wounded warriors, their families, and also the medical professionals who treat them. I had a roundtable session with wounded warriors, and I said I am a new Senator. What would you like to either tell me or ask me? And I expected I would do a lot of talking about medical care for active duty and veterans. They wanted to talk to me about budget uncertainty. They asked how budget uncertainty would affect the medical care they are receiving right now and the care their comrades in arms are receiving. They wanted to talk about budget uncertainty in TRICARE benefits. Secretary Carter, your testimony goes into TRICARE deficits by year end.

A guardsman, whose full-time civilian job, a DOD civilian job, wanted to talk to me about what furloughs meant, and others who were facing imminent medical retirement wanted to talk a little bit about the workforce they might be going back into and the potential effect on the economy of drastic cuts that would make it harder for them to get traction back into civilian life.

This was a hearing where I expected to be talking about medicine, but what I heard and what I ended up talking about was the effect of budgetary uncertainty. This follows the testimony of Secretary Panetta and General Dempsey last week.

And I wanted to just ask a couple of questions focusing, Admiral Ferguson, on some Navy issues. The announcements last week dealing with the Truman and the Lincoln—I know one of the prior-

ities that you are focusing on is trying to make decisions that are in fact reversible should Congress do our business and get this right. Some of the decisions that you have already announced—how long can we persist down that path before these decisions start to have an irreversible effect on our readiness and shipbuilding capacity?

Admiral FERGUSON. Senator, beginning on February 15th, we will begin notification to private shipyards about deferrals of maintenance availabilities up to the point and under the continuing resolution. If we sustain under a continuing resolution, those maintenance actions will be deferred. If we do not get the authorities in the bill to say start work on the new construction carrier and to complete the overhaul or start the overhaul on the other carriers—three carriers now are tied up and delayed because we do not have authorities. And so those are reversible with congressional action.

On the sequestration issue and with Truman, we had to look at what happens to the Navy under sequestration. Like the other services, we effectively stopped training and certifications of our air wings. We shut down four air wings on March 1st. After 90 days, those pilots lose their certification, and now it takes 6 to 9 months to retrain them at a much higher cost. And in our assessment, it was more prudent for us to delay Truman to be able to deploy later this summer and for George Bush to deploy later this year or early next year to provide continuous coverage in the Middle East rather than have two carriers now and then fall off completely in fiscal year 2014.

The impacts are under sequestration the longer we go, the greater impact on readiness for our forces and the longer recovery time and greater expense.

Senator KAINE. Thank you very much.

Chairman LEVIN. Thank you very much, Senator Kaine.

Senator Inhofe.

Senator INHOFE. I enjoyed visiting with you yesterday, and of all of the States, I think you are hit just about as hard as anyone. There is a document here that I know has not been circulated to everyone. The Air Force alone shows what you lose in your State. Then you throw the Navy in there. I mean, you are out of business. And I would like to ask all the other services that did not provide us with this information in this format—what it does is show every State, how each is affected by each. Would you try to get that for me? And I assume that is a yes.

[The information follows:]

[COMMITTEE INSERT]

Senator INHOFE. Next, real quickly, you heard what I said about Admiral Winnefeld talking about we would have to say that we cannot—do you agree with his statement that he made? Does anyone disagree with that statement? [No response.]

Okay.

Secretary Carter, I understand that the administration is planning towards an end-of-March release of the fiscal year 2014 budget. Will your submittal to OMB, which I understand takes place today, include cuts from sequestration? Just yes or no is fine.

Dr. CARTER. No.

Senator INHOFE. When you do this budget, would you be willing—you have heard Senator McCain and me complain about all this stuff that is thrown into the defense budget such as paying nine times as much per gallon for the Navy to buy 450,000 gallons and all of that. Would you—not now, but for the record. There is not time now—for the record send me something as to what your intentions are on putting things in the budget that do not really provide for our defense? We know we do have a Department of Energy. Would you do that just for the record?

Dr. CARTER. Absolutely, Senator.

[The information follows:]

[COMMITTEE INSERT]

Senator INHOFE. Okay.

Then, General Welsh, you and I have talked about this in Fort Smith when we were over there about the problems that we are facing with the hollowing of the readiness in terms of just pilot training, number of hours. Does this dramatically increase your problem? What I am trying to get to here—and we may have to get it for the record. Readiness equals risk equals lives. Have you put into any kind of a quantitative amount of what this could cause in terms of lives or of risk? Just yes or no is fine.

General WELSH. Yes, sir.

Senator INHOFE. All right. Would you make sure that we get that for the record?

General WELSH. Yes, sir, I will.

[The information follows:]

[COMMITTEE INSERT]

Senator INHOFE. General Odierno, both you and General Amos talked about readiness, readiness, readiness, and I appreciate that. Again, readiness, risk, and lives. Would you do the same thing in your services, or have you done this already?

General ODIERNO. Yes, sir.

[The information follows:]

[COMMITTEE INSERT]

Senator INHOFE. All right. I appreciate that.

And then lastly on the—General Dempsey and Admiral Ferguson, as I mentioned in my opening statement, Secretary Panetta announced the indefinite delay in deployment of the Truman carrier strike group. Will you be as specific as you can as to what the consequences will be in a lack of a two-carrier presence, what it means for ongoing CENTCOM operations? Would you do that for us?

General DEMPSEY. Yes, Senator, we will.

[The information follows:]

[COMMITTEE INSERT]

Senator INHOFE. Thank you very much.

Chairman LEVIN. Thank you very much, Senator Inhofe.

Senator Reed.

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

Secretary Carter, I just want to clarify part of your testimony that if we are able to avoid sequestration, there are still significant issues with the Budget Control Act going forward. Is that correct?

Dr. CARTER. Right. Sequestration per se, the item-by-item cut, only applies to fiscal year 2013, but the Budget Control Act does

a lot more than cut the fiscal year 2013 budget. It cuts the defense budget by a large amount, roughly \$50 billion, in every year for the next 10 years. That is the part that turns a readiness crisis into a change of strategy. That is a lot of cut on top of what we have already done.

Senator REED. So the immediate challenge is sequestration and also obviously the either omnibus or a continuing resolution until the rest of this year, but longer term in strategic concepts that we also have to re-evaluate and perhaps redo the whole Budget Control Act strategy.

Dr. CARTER. We would have to go back and redo our national defense strategy if we had those cuts.

Senator REED. Let me ask another question. You have contractual obligations particularly when it comes to procurement, acquisition, et cetera. Are you in a position where you have to void those contracts and pay penalties, or is that something, ironically perhaps, that you are going to continue to build equipment, aircraft, ships, et cetera, while at the same time eroding the readiness of the force?

Dr. CARTER. Sequestration and the cuts only apply to unobligated funds. So if we already have entered into a contract, that contract is still good unless we choose to break it because of everything else that is going on.

What will very much be affected is contracts that we intend to enter. So, for example, multi-year contracts, which we have intentions to enter because they are more efficient and they cause the manufacturer to produce things in a more economically efficient way that is good for the taxpayer, good for us. Those kinds of things we are not going to be able to do.

And as Admiral Ferguson pointed out, a lot of our ship actions are constrained account by account in the continuing resolution. He cannot do anything to start a new ship. He is only allowed to build the same ship he built last year. That does not make any sense.

Senator REED. Let me ask a related question too. Assuming a resolution somewhere down the road, you are going to have to probably spend more money restarting activities, recalling personnel, making up for training by doubling up not only the air, land, and sea forces. Is that another consequence? So the irony here could be is that these savings disappear quite rapidly when we go back to business.

Dr. CARTER. Yes. I mean, this costs money because it wastes money. Starting, stopping, going up, going down, stretching out programs is inherently inefficient. So all of our managers who try so hard to use the taxpayers' dollar the best way, get things just so, work with their industry partners to get a good deal for the Government—all that stuff goes in the waste basket in these circumstances. It is really a shame.

Senator REED. Thank you for your testimony.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator Reed.

Senator McCain.

Senator MCCAIN. Thank you, Mr. Chairman.

I thank all the witnesses for being here and their service to the country.

This is, would you say, Ash, kind of an Orwellian experience? Here we are looking at these draconian cuts. Already some of the manifestations of the requirements have taken place. Meanwhile, it is the day after North Korea tests another nuclear weapon. Iraq is unraveling. The Iranians just rejected the Vice President's proposal last weekend for one-on-one talks concerning nuclear weapons. Libya is obvious. Mali. Egypt in a state of unrest. Now Tunisia. We are probably in a more unsettled period since the end of the Cold War than certainly I have ever seen. Would you agree with that assessment?

Dr. CARTER. I absolutely agree.

Senator MCCAIN. Meanwhile, the signal we are sending frankly to the Iranians is do not worry. This aircraft carrier is not coming. This is really a disconnect, the likes of which I have never seen before.

Now, I want to talk about the sequestration because Senator Graham, Senator Ayotte, and I traveled around the country warning about the effects of sequestration. We went to a whole lot of places where the men and women in the military say how can we possibly do this, cause this uncertainty in the lives of the men and women who are serving, the latest being the cancellation of the deployment of the aircraft carrier. Meanwhile, the President of the United States, when asked, said it will not happen. It will not happen. During the campaign, it will not happen. We were worried for a long time that it was going to happen, and it is disgraceful to treat the men and women in the military, who we all speak with such advocacy and passion on their behalf, to be subjected to this kind of day-to-day kind of uncertainty that they volunteered to serve this country. But we owe them a certain amount of certainty as to how they are going to be treated, what their assignments will be, and frankly what their future will be. Would you agree?

Dr. CARTER. I absolutely do.

Senator MCCAIN. Well, then would you not say—and by the way, the WARN Act. OMB put out the word do not worry. Sequestration is not going to take place. You do not have to comply with the WARN Act. The WARN Act requires 60 days, in some cases 90 days, notification to employees that they are going to be laid off. I think that we have just placed the Federal Government in a state of a very significant possibility of owing a lot of money to a lot of the military.

But most importantly—and I do not expect you to respond to this. But we elect Presidents for a reason and that is to lead. It seems to me that it is now time for the President of the United States to call the leaders of Congress over to the White House and say, look, if you accept the word of every one of our military leaders as the effect of sequestration, if you accept the fact that the world is becoming more and more dangerous, that this is the worst time. And we should sit down and come to an agreement to prevent the sequestration not only for our national security but for the benefit of the men and women who are serving this Nation. And I would be glad to hear any response you might have, and I know that it would be difficult for you to respond to one of my assertions.

Dr. CARTER. Well, thank you. But I, first of all, thank you and Senator Ayotte and Senator Graham. I remember when you took

that trip, and I was very grateful to you because we have, I think, felt—at least I felt like we have been voices crying in the wilderness now for 16 months. And as I said, this committee is an exception because each and every one of you knows the Department of Defense, knows national security, and can really be aware of what we face.

You know, there was a time when I thought that sequestration was not likely either. I used to say that I was hopeful and optimistic. Then I said I was just hopeful, and now I am not even hopeful because we are only 2 weeks away from it.

We have for some time not only been planning for it, but taking action and that is what you hear described. Even though it has not kicked in, in order to soften, to the extent that is possible, in the last few months of the year the effects of this, we are starting to take actions now. That is what you see in the aircraft carrier. That is what you see in other things. If sequester goes away on March 1st or shortly thereafter, all these actions will have been unnecessary and inefficient, as was pointed out early, but we feel like we have to take them now because we cannot rule out the possibility that we are really going to do this.

Senator MCCAIN. And I believe our witnesses would agree that this can have a long-term effect on retention.

I thank you, Mr. Chairman.

Chairman LEVIN. Thank you very much, Senator McCain.

Senator McCaskill.

Senator McCASKILL. Thank you, Mr. Chairman.

You know, one of the things this place is good about is, when the moment comes that we have to compromise, yelling about how we got to this place in the first place. And I want to gently point out for the record that both the ranking Republican on the Senate Armed Services Committee and the chairman of the House Armed Services Committee voted for the Budget Control Act. So when we voted for this—and there were 28 Republican Senators that voted for it—we all knew that there would come a day of reckoning, that we would have to sit down and compromise. And I certainly hope that the testimony, the dramatic testimony, that you have given this morning will help us get to that place. We will not avoid the sequester if we are all going to draw lines in the sand and say we are not cutting anything or we are not going to do any revenue. And if we are willing to acknowledge that the price our country is going to pay is one that we are not willing to pay, then it seems to me this is the moment of compromise. And the reason we were so optimistic it would not happen is because most of us thought when the time comes, we will compromise.

So sign me up for the compromise, for painful cuts and for some revenue. I think we have got money right now we are paying out to farmers that we all acknowledge is a huge waste of money, billions of dollars. It is not really going to farmers, and they are getting paid for whether they are making a lot of money or not making a lot of money. And it is a great example of a place we can all agree we need to cut that. We need to do it in the next 2 weeks. And we need to make sure that money goes towards defense where we know we cannot afford what you all are looking at over the next 10 years.

Having said that, I would like someone to tell me if we gave you the ability—because, you know, there are a lot of folks that say just this year's cut, \$46 billion out of a \$600 billion budget, ought to be manageable. If you had the authority to cut it where you want to cut it instead of the way that we are handcuffing you under the sequester, where would that \$46 billion come from if you had the ability, which I think Senator Inhofe is advocating? And I certainly agree with him in that regard that we at a minimum ought to give you the discretion to cut where you would do the least amount of harm.

Dr. CARTER. If I may, you are right, obviously, that the mechanism of sequester which makes us cut everything in proportion is dumb from any kind of managerial point of view.

I have to say, though, at this point in the fiscal year, it does not matter that much. We have to go everywhere to get that \$46 billion at this point. Anywhere you can get the money we have to go and get the money because, remember, in many places we cannot access it. We cannot lay people off. We can furlough them. We cannot furlough them for more than 22 days. We can furlough them up to 22 days. The President has, I think, rightly exempted military personnel. By this time in the fiscal year, a large amount of the O&M funding has been obligated or is constrained. So all we have left is the room where the unobligated reserve which, as General Odierno explained for the Army, is tiny now. So you are out of Schlitz. He has no room to go. So he is less constrained by the mechanism of sequester. Right now, we got to go everywhere there are dollars to take. So it does not help that much, although I appreciate any unfettering we could get, but it does not help all that much at this point in the year.

Senator MCCASKILL. Well, if there are any specifics you can give us about whether or not it would help to at least give you that discretion, if there are any specifics you can provide us, that would be great.

My time is up. Very rarely do we have all of you here at one time, and while you are all here—I have mentioned to a couple of you. If you have not yet seen the documentary, "The Invisible War," I certainly hope that every single one of you see it before the next chance I have to visit with you. And if you have specific recommendations after seeing that movie on how we can all look ourselves in the mirror and feel much better about the victims of sexual assault within the military, I would love to hear your specific ideas. I am determined to make a difference in that regard over the next year. And if you have not seen the movie—it is nominated for an Oscar for one of the best documentaries this year, and I certainly hope you all see it. Thank you.

Senator INHOFE. Mr. Chairman, let me respectfully correct the Senator from Missouri. I did not vote for the Budget Control Act.

Senator MCCASKILL. I should have said at the time the Budget Control Act was voted upon, the ranking Republican, Senator McCain, and Representative McKeon both voted for the Budget Control Act. They were the leading Republicans on Armed Services in the two houses at the time. I should have made it clear it was not you, Senator Inhofe. It was the ranking Republican at the time we took the vote.

Chairman LEVIN. Thank you.

Senator Ayotte.

Senator AYOTTE. Thank you, Mr. Chairman.

I want to thank all of our military leaders for being here today and for your service and everything that you do for us.

Let me just start with this just to put it in a bigger picture here. Sequestration on a scale from 1 to 10, 1 being the least dangerous to our country, 10 being the most dangerous—how dangerous is sequestration in terms of the safety of this country?

General DEMPSEY. Well, I will take a shot at that, Senator. From where I sit today, it sure feels like a 10. I mean, some think tank around town might want to negotiate me down to an 8, but it is really serious.

Senator AYOTTE. I am asking you for your professional judgment.

General DEMPSEY. 10.

Senator AYOTTE. Is there any disagreement on this panel on that? [No response.]

So we are at a place right now where we are facing very dangerous times around the world. Would you all agree with that? Not a time to take a peace dividend.

General DEMPSEY. Yes, absolutely. And if I could, because I did not get a chance to respond. The issue of the mechanism is one thing. The magnitude of this thing—even if we got all of the authority in the universe to deal with it, this would be the steepest, biggest reduction in total obligating authority for the Defense Department in history at a time when I will personally attest to the fact that it is more dangerous than it has ever been.

Senator AYOTTE. I thank you.

I think that it was mentioned by Senator Inhofe. I am a cosponsor, along with others on this panel, of a bill that would come up with some alternative savings to provide at least a resolution of sequestration for the end of this fiscal year. So there are many of us that are trying to work toward solutions. And as Senator McCain mentioned, we did travel around the country over the last 16 months, having heard from all of you about the concerns about what this would do to our men and women in uniform.

I want to ask Admiral Ferguson about a particular impact and that is on the *Virginia*-class submarines and our attack submarine fleet. What do you believe will be the impact on that, number one, on the attack submarine fleet, the *Virginia*-class submarine, and also on our four public shipyards?

Admiral FERGUSON. Well, Senator, I believe that under a CR and sequestration, you will see us take action to defer the repairs of Miami in Portsmouth Naval Shipyard. You will see us make every effort to preserve our undersea dominance. And we have issued contracts in fiscal year 2013 for the submarines. Those will be unaffected in the procurement. However, there are longer-term consequences. For example, there is a Moore training ship that is affected by CR and sequestration that has an impact in training our future nuclear operators. In a few years, if we do not get authority to build that training ship, we will lose the production of 1,100 nuclear operators a year, for example. You will see us—by the end of this year with the hiring freeze, we lose about 350 workers a week, 1,400 a month out of our civilian industrial base, and we will be

down 3,000 in our shipyards. And if we furlough, we will furlough the workers in our shipyards which will cascade through on the work completion rates of the submarines and the ships going through overhaul in those public yards and really impact in a cascading way the readiness going forward.

Senator AYOTTE. I thank you, Admiral. I am sure my colleagues, certainly Senator Shaheen, Senator King, share my concerns about the impact and the importance of our shipyards and, of course, the important work done at the Portsmouth Naval Shipyard in maintaining our *Virginia*-class submarines. So I appreciate the insight that you provided us there, again another impact showing us why this is important that our men and women in uniform and our national security are not impacted by sequestration.

I have some additional follow-up questions. So I am hopeful that we will either have a second round or I will submit to all of you additional questions for the record, including, Secretary Carter, I would like to understand whether we are going to have to pay damages because of the OMB guidance that was issued on the WARN Act. So I will follow up with you on that.

Chairman LEVIN. Thank you very much, Senator Ayotte.

Senator Udall.

Senator UDALL. Good morning, gentlemen. Thank you for being here.

It is clear from your testimony that sequestration will have very real threats to our national security. It would harm our military communities, and it would damage our military readiness. As always is the case, our soldiers, our sailors, our airmen, our marines, and our coastguardsmen will be the billpayers if we fail to meet our obligations.

And I want to associate myself with the remarks of the Senator from Missouri. She is spot on. Many of us in both parties voted for the BCA in the summer of 2011 to avoid defaulting on our good credit rating. It is on our shoulders to put the national interest ahead of the petty partisan sniping that has been occurring in this town as regards to the sequester. I really want to say that, frankly, if we allow this kind of harm to be done to our country, it will not make a damn bit of difference who wins the majority in 2014. So let us solve this problem. If we cannot reach a compromise, then let us work with you all to mitigate the effects.

General Odierno, if I could, I would like to turn to the Army's training budget. And I understand that if sequestration takes hold, that training above the battalion level will essentially stop except for units preparing for Afghanistan. My concern is, if you begin to see that take hold, there is a ripple effect that then might result in increased tour lengths for deployed troops. We have been really working on OPTEMPO. We have really been trying to increase the amount of dwell time. My concern is that we then break faith with our troops and the men and women in uniform if this takes hold. Could you speak to that?

General ODIERNO. Yes, Senator. Currently we have funded the next group of units that would go into Afghanistan. We cannot fund the group that comes after them, and that would be done in the later part of 2013. So what that means is the initial replacements that go in in the beginning of 2014 are funded. Those who

would come in later in the year are not. And so it would take them much longer to be prepared. And so we will have to make a decision somewhere along the line to either extend those already there or send people there that are not ready. And I choose not to send people that will not be ready. So that is the cascading impact we have, a real problem we have in the 2013 budget in terms of our operations and maintenance funds.

Senator UDALL. Thank you for that clarification. Another reason we have got to get this right here in the Congress.

General Welsh, if I could turn to you. Of course, we proudly host Space Command in Colorado Springs. Last week, you issued a press release that warned that sequestration could lead to major cuts to essential programs, and I want to quote here. "Reduce some missile warning and space surveillance 24/7 hour operations to 8 hours per day operations, impacting national missile warning, missile defense, space situational awareness, and the intelligence community." That would indicate that Space Command would not be able to fulfill their basic mission requirements if sequestration goes into effect. Is that an accurate assessment? How would ballistic missile warning, for example, be affected by reductions in space surveillance operations?

And I would add I just walked through the anteroom, and of course, our friends in North Korea are at it again. They have just had another test. You might speak specifically about that situation as well.

General WELSH. Thank you, Senator. Space Command actually in their space operating budget has the advantage of having a fairly wide latitude of where to take the money from under the cuts of sequestration. Compared to some of our other accounts, it actually gives them a little bit more freedom. So what they have done is they have removed—when you talk about going 24/7 coverage of some of these sites, down to 8 hours a day, as opposed to 24 hours a day, what they have been able to do is do that in the sites that provide redundancy and provide capacity in their system.

So missile warning is not impacted. We still have the capacity to do that. That threat to the Nation can be detected, but the redundancy in that capability is what is now impacted in the background. It is the operating funds to power radar for 24 hours a day. When they are cut, we have to take that money from somewhere. We have taken it from the backup redundant part of the systems, the secondary capabilities of those major radars. That is what has actually happened, Senator.

Senator UDALL. Thank you for that clarification.

I see my time is up. I just again want to urge the SASC, the Senate Armed Services Committee, which is known for bipartisanship, to lead the way on finding a compromise that could involve revenue, strengthening our entitlement programs, and some targeted spending cuts. We could do that on this committee and show the Senate the way forward.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator Udall.

Senator Fischer.

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

First of all, I would like to begin by thanking all of you for your service, and I thank you on behalf of the people of this country. And I would also like to recognize the men and women that you represent by being here today. Thank you.

I would like to visit with you some about our nuclear modernization and readiness. Dr. Carter, as you know, the President has committed to modernizing our nuclear deterrent and the cost estimates that were provided—I believe it was last year—by the Department were about \$56 million in order to sustain and modernize that over 5 years and \$126 million over 10 years. Is that still a good estimate? And do you believe that it is an affordable investment that Americans should be making in our deterrent capabilities?

Dr. CARTER. Well, we do need to have a safe, secure, and reliable nuclear deterrent, in my view, as far into the future as I can see. And that does require that we have the scientists and engineering base, the facilities, and the life extension programs and other things we do to keep the nuclear arsenal going.

If the budget cuts that begin with sequestration and extend over 10 years are actually visited upon us over those 10 years, I cannot imagine that we will not have to also look at the nuclear part of our force structure in order to accommodate some of those savings. You know, that is true also at the Department of Energy, which we do not have responsibility for but does have responsibility for the nuclear arsenal. So they are going to get hit with budget cuts too.

The only thing I would say is that nuclear deterrence is pretty important. So it is the last thing that you want to do serious damage to. So I would imagine that the Department of Energy and the leadership there and certainly we in the Department of Defense will try to protect our nuclear capabilities to the maximum extent possible. But there may be some effects on some parts of it. You know, General Welsh was just describing that. It is not critical. He is still able to do the mission but he is doing a little bit less than he used to do. And I think you are going to see that even in the nuclear programs.

Senator FISCHER. You know, we are looking at severe cuts to conventional forces, but if I am hearing you correctly, you would say that our nuclear deterrent then would be a national priority?

Dr. CARTER. I think it is a national priority. That does not mean that it will escape entirely the cuts of this magnitude. I would not say that. But it is something that we would value pretty highly because look at what the North Koreans are doing today and so forth.

Senator FISCHER. Exactly.

Dr. CARTER. We really have to have a safe, secure, and reliable nuclear deterrent.

Senator FISCHER. Thank you. I will have a follow-up question then in round two. Thank you.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator Fischer.

Senator Shaheen.

Senator SHAHEEN. Thank you, Mr. Chairman.

Chairman LEVIN. I am sorry. I misspoke. Senator Hagan.

Senator SHAHEEN. I thought you were going to let me get in there.

Chairman LEVIN. She slipped in in time. I apologize, Jeanne. Senator Hagan.

Senator HAGAN. Thank you, Mr. Chairman.

Gentlemen, I certainly do appreciate all of your service to our country, and thank you for your time today.

If the devastating impact of sequestration, which we have all heard and talked about, and the effects of a year-long CR are to be avoided in this late hour, I really do appreciate the candor that you have shared with us, and that certainly does play an important role.

I chair one of the subcommittees on this committee, the Emerging Threats and Capabilities Subcommittee, and I am very concerned about the possible impact of the sequestration and a full-year CR on our special operations forces. North Carolina is the home to the headquarters of the U.S. Army's Special Operations Command, Joint Special Operations Command, and the Marine Corps Special Ops Command at Camp Lejeune, as well as thousands of special operators and their families.

Admiral McCraven has noted repeatedly that there is a greater demand for special ops forces today than at any point in our history, and as we prepare to draw down in Afghanistan, special operations forces will likely remain. And additionally, as long as al Qaeda and its affiliates remain a threat to our Nation, our special operators will remain engaged abroad.

And I understand the combined impact of these issues could cut approximately 23 percent in the special ops operations and maintenance accounts and 9 percent in their investment accounts, essentially returning the command to fiscal year 2007 spending levels, or \$2.4 billion below the budget request for fiscal year 2013.

Dr. Carter and General Dempsey, if these cuts go forward, how will they impact the readiness of our Special Operations Forces?

Dr. CARTER. Well, it is devastating. I will let the Chairman speak to it more.

But the reason that SOCOM gets hit especially hard is the same reason that General Odierno and the Army get hit especially hard, namely that they have a lot of funding in the overseas contingency operations account. That gets hit too by sequester. And we have to protect the wars. So you protect the part of it that is working in Afghanistan right now or deployed right now. The rest of it has to pay a larger price.

I would say, you know, our strategy is not to shrink our special operations forces. Our strategy is to grow them. We said last year we were going to take \$487 billion in cuts and that we could do that if we had a new strategy. Actually our plan is, still is, to grow our special operations forces. Now, all that is obviously in question now because of sequestration, but if sequestration is averted and we get back on course, special operations forces will actually grow slightly, I think from 65,000 to 72,000 if I remember the numbers. And I was just down at Fort Bragg a few weeks ago and discussing that with them. So it is a priority in our strategy.

Senator HAGAN. Well, it is a priority and we are counting on these individuals and we are really looking to the special oper-

ations forces. And it just seems incongruous to me that we think we can count at that at the same time we are looking at a 23 percent cut.

Dr. CARTER. I am with you.

General DEMPSEY. There is plenty of incongruity to go around on the topic of sequestration.

And I would only add to what the Deputy Secretary said that in the first round of these cuts, the \$487 billion Budget Control Act, we did advantage the special operations. But if sequestration occurs in the magnitude we are discussing, everybody will be affected because we have to maintain a joint force of conventional and unconventional capability.

Senator HAGAN. Well, obviously, the special operations forces do rely heavily, as you were saying, on the general purposes counterparts for the significant enabling support, including the intelligence, surveillance, reconnaissance, medical evacuation, and logistics.

So, General Odierno and Admiral Ferguson and General Amos, I am running out of time. As representative of our military services, how is sequestration and then the full-year CR—how would that impact your ability for your services to provide these critical enabling capabilities to our Special Operations Forces?

General ODIERNO. Senator Hagan, if I can go first. Again, as I said, it is a reduction in intelligence capability, training, reduction of our aviation training. So all of these will have an impact on providing much of the enabling support that we provide to special operations forces. We are going to lose 37,000 flying hours in fiscal year 2013. That will take a while to recover from as we have to go through and then revalidate and meet our gates for our pilots in order to support all our forces, to include special operations forces. So they will be affected by the reductions that we face in the Army.

General AMOS. Senator Hagan, we stood up Marine Special Operations Command 6 and a half years at Camp Lejeune. The number of marines was planned to about 2,500. When I became the Commandant, we did a force structure review, as you remember, 2 years ago, and due to the requirements and the need in the real world, I agreed to grow that force another 1,000. We are not there. We are sitting at about 2,600 today. If sequestration and CR continue and persist especially over the next 10 years, it is unlikely that I will grow the force up to the extra 1,000 that I said. Certainly the equipment and the people will not be available.

Admiral FERGUSON. Senator, for us it is really two areas: people and platforms. So in the people area, we will continue to support the Navy Special Warfare Command and provide the enablers to them. But on the platform piece for the ISR, for the ships that they may operate from, the other units, you will see a decreased presence and a more difficult time doing the training and preparation for deployment because of sequestration and the CR.

Senator HAGAN. Thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator Hagan.

Here is where we are at. The votes that were originally scheduled for 11:00 are now scheduled for 11:30, which means we can safely go to about 11:40, which means in turn that we ought to be

able to completely finish our first round and hopefully have a couple, perhaps, second rounds if necessary, the goal now being to complete this hearing by 11:40. It is now five after 11:00.

Senator INHOFE. Mr. Chairman, I think it would be good for our staff to make sure that their member knows that so they can come down here.

Chairman LEVIN. I would ask our staff, at that suggestion, to notify our members that there may be a few minutes for a few second rounds. So if they are interested, they should let us know.

The meeting of our committee on the Hagel nomination that was scheduled at 2:30 will begin now at 2:45 because we have two votes at 2:15. Two votes at 2:15 this afternoon. So after consulting with Senator Inhofe, we are going to begin our meeting this afternoon at 2:45 instead of 2:30. I would ask everybody to vote early in that second vote so we can begin promptly at 2:45 this afternoon.

Now I am going to call on Senator Graham and then I am going to go to Senator Shaheen. Senator Graham?

Senator GRAHAM. Thank you all, gentlemen, for coming.

Mr. Chairman, thank you for having this hearing. I cannot think of a better topic to be talking about.

Have you run out of adjectives to tell us how bad this is?

General DEMPSEY. Senator, I have a degree in English from Duke University, and the answer is yes. [Laughter.]

Senator GRAHAM. I do not know what it is going to take, guys, but just keep trying.

Maybe bases closing seems to get everybody's attention in Congress. From a Navy perspective, if sequestration is fully implemented, will we have less naval bases?

Admiral FERGUSON. Well, Senator, that falls under, as you know, the base closure and realignment process.

Senator GRAHAM. How many ships will we have?

Admiral FERGUSON. If sequestration is enacted with the discretionary budget caps over the 9-year period, we anticipate the fleet shrinking by approximately 50 ships and at least two carrier strike groups and a proportional number of amphibious ready groups.

Senator GRAHAM. In English, how many is that?

Admiral FERGUSON. 220 to 230.

Senator GRAHAM. All right.

The Air Force. Are we going to have less airplanes?

General WELSH. We will have to have less airplanes, Senator.

Senator GRAHAM. What happens to the F-35?

General WELSH. It depends on what the top line is going forward. Short-term, it is one to two airplanes this year—

Senator GRAHAM. Well, let us say sequestration fully goes into effect.

General WELSH. We are going to have to look completely at the program.

Senator GRAHAM. I mean, it is going to be hard to modernize. Right?

General WELSH. It is going to be impossible to modernize the way we currently would like to.

Senator GRAHAM. Would that make it more difficult to go into a situation like an attack on Iran to prevent their nuclear program in the future?

General WELSH. Yes, sir. Our “kick in the door” capability would be impacted.

Senator GRAHAM. From the Army point of view, General Odierno, will we eventually less Army bases?

General ODIERNO. We will definitely have less brigade combat teams, about a 40 percent reduction with sequestration.

Senator GRAHAM. Okay, a 40 percent reduction in combat power.

General ODIERNO. And we will have to look at closing bases if we do this.

Senator GRAHAM. Okay.

Has anybody thought about resigning in protest?

General DEMPSEY. You ask me that a lot, Senator. I do not know if you are trying to send me a message.

Senator GRAHAM. No. I do not want you to resign. [Laughter.]

I just want to make this real to people up here. I mean, we are putting you in an almost untenable position.

General DEMPSEY. Well, your point is a good one. Look, none of us walk away or run away from a crisis or a fight. You know, that is not our nature. But I will tell you personally if ever the force is so degraded and so unready and then we are asked to use it, it would be immoral to use the force unless it is well-trained, well-led, and well-equipped.

Senator GRAHAM. Are we on the path to creating that dilemma?

General DEMPSEY. We are on that path.

Senator GRAHAM. So please understand that, colleagues. We are on the path of requiring our military in the future to protect us in a circumstance where they know they do not have the ability, given what we are doing to the training and the readiness of the force. And General Dempsey, I cannot say it any better. Do all of you agree with that general statement? Would you please say yes or no into the mike?

General ODIERNO. Yes.

General AMOS. Yes.

General GRASS. Yes.

General WELSH. Yes.

Admiral FERGUSON. Yes.

Senator GRAHAM. Thank you all for your service.

Chairman LEVIN. Thank you very much, Senator Graham.

Senator Graham, before you leave, your question, as I understand it, an extremely good one, referred to the current 9-year sequestration.

Senator GRAHAM. Yes. We are on the path.

Chairman LEVIN. Right.

Senator GRAHAM. Yes, sir. That is a good point, Mr. Chairman. Sequestration is putting us onto a path of putting our military leaders in a great moral dilemma knowing they cannot send people into battle who are not ready, knowing that people are going to die unnecessarily. That is sort of the issue.

Chairman LEVIN. And I understood that and I very much agree with that, but I just wanted to make sure that that was the 9-year sequestration.

Senator GRAHAM. Yes, sir, the 9-year path. Yes, sir.

Chairman LEVIN. It is bad enough. The first year part of it is plenty bad enough.

Senator GRAHAM. Right, I agree.

Chairman LEVIN. Okay.

Senator Shaheen.

Senator SHAHEEN. Thank you, Mr. Chairman.

And again, thank you all very much for being here and for your candor in terms of your response to what has clearly been irresponsible on the part of Congress.

I voted for the Budget Control Act, as did the majority of my colleagues in the Senate and the majority in the House, because I thought we were going to be responsible about how we then responded to coming up with a long-term solution to address this country's debt and deficits. And the fact that we have not I think means that each and every one of us in Congress should take a second look at what our jobs are in this body.

The fact is we can come up with a long-term solution that avoids the impact of sequestration, that avoids the devastating toll that all of you are talking about this morning on our military and on our defense. But in order to do that, we have all got to put aside some of our sacred cows and be flexible. We have got to look at the entire budget. We have got to look at spending. We have got to look at revenues, and we have got to look at our mandatory programs. And I can pledge to you that I will do everything I can to be flexible about that and to be willing to look at all of the options that we have to get a solution because this is not just, as you point out, about our military readiness and about this country's national security. It is also about the future of the economy of this country. And anybody who looked at those economic numbers from the fourth quarter has to understand that if we continue on the path we are on, we are going to put the economic growth of this country and everything that means in terms of unemployment and impact to defense and all the other sectors of our economy—we are going to put that back at risk.

So I can understand your frustration. I share it. And I do not blame you one bit.

Now, I have a question. You have talked—and I think very eloquently—about the impact on our men and women who are serving and on our security. But I want you, if you would, to talk a little bit more about the impact on this country's industrial base because I know that we have heard from some of the small businesses in New Hampshire. There has been one firm quoted as saying that 20,000 small businesses in its pipeline would be affected if these cuts are not addressed. And I wonder if you could elaborate on the potential reversibility of sequestration with respect to our defense industrial base and its small businesses. Secretary Carter?

Dr. CARTER. Thank you for the question because this has a very serious impact. I talked about the larger companies are telling me that they are, as I said, maintaining more liquidity, not making internal investments in defense. But they have a capital structure that allows them to survive. Remember that 60 to 70 cents of every dollar that we contract ends up in a subcontractor, and many of these are small businesses that do not have the capital structure to be able to withstand blows and be turned on and off and so forth. And so I am concerned and our industry partners are concerned that some of them just are not going to make it, and then

you do not have a supplier for a critical component. So both the magnitude and the abruptness of these impacts and also just the uncertainty that looms over these little companies—and small businesses are important to us because they are at the source of a lot of innovation, and they bring new ideas, new people into the defense field, which we need. And so many of our most dynamic, new ideas, new systems and so forth originate in small businesses. So we are concerned about the health of the so-called lower tiers of the industrial base as we make this adjustment.

Admiral FERGUSON. Senator, if I might add, another concern for the Navy is the people involved in repairing the ships, the very highly skilled craftsmen and tradesmen. It takes years to develop a nuclear welder, for example—that we could lose those skills when the works go away and they have to find employment or they are furloughed. And they may make a choice to retire or leave Federal service. And so there is that aspect.

But then the secondary one is we have many sole-source suppliers, that if we cut off the development and the construction of these systems, they do not have any work for them since they are single source for some critical components.

Senator SHAHEEN. So that could have a significant impact on jobs and the economy that is dependent on—

Admiral FERGUSON. Right. Jobs but also the ability to reconstitute the industrial base and the ability, in response to a crisis, to ramp up in the future.

Senator SHAHEEN. Well, obviously, I share Senator Ayotte and Senator King's concern. We are seeing that already at Portsmouth Naval Shipyard, the potential impact that this could have.

So thank you all very much.

Chairman LEVIN. Thank you, Senator Shaheen.

Senator Blunt.

Senator BLUNT. Thank you, Mr. Chairman.

On that, let us talk about jobs and the workforce for a little bit. Admiral Ferguson, just to be sure I understand what you are saying, that if the shipyard people get furloughed, your view is that some of them eventually decide this is not my long-term career path?

Admiral FERGUSON. I think that is the potential outcome, Senator.

Senator BLUNT. General Welsh, I asked the other day about the F-18 line in St. Louis because that is the big line I am the most familiar with. We have lots of little defense contractors in Missouri. I did a tour of some of these businesses last year. As I recall, one of them was out in the country, and the office had at one time been a dairy barn. Everything is run by computer, very sophisticated, very purposeful, but of course, if they do not have that contract, I am sure they are not conditioned in a way that allows them to just wait. That business would go away.

But what about like the big lines, General Welsh? I have always been told that if that ever goes away—that is why some of our foreign military sales were so important, to keep the line open. What are your concerns if you all have to say we are not going to be able to follow through with our plan for the number of planes that we have ordered?

General WELSH. Sir, some of the major defense contractors have the ability to absorb some of that workforce into their public side of the house. Boeing is an example with a very large public aircraft production capacity.

Where we are facing a more immediate problem with sequestration, especially just for the remainder of this year is in our depot maintenance workforce. If we stop, for example, the 150 airplanes and 85 engines I mentioned not going into depot if sequestration occurs for the remainder of this fiscal year, we will not just furlough the workforce that is there working in the depot maintenance facilities, but the workload will also stop. And many of the small business contracts that provide parts and people to come in and do specialized work as part of that depot maintenance will really start to go—

Senator BLUNT. So this would be a furlough not because you are furloughing people because of sequestration, because you are furloughing people that sequestration meant they did not have any work to do.

General WELSH. Yes, sir. It will be both.

Senator BLUNT. Well, let us talk about the other part of that furlough. General Grass, you and I visited the other day. Some of your uniformed personnel, because of the way you function uniquely where you have civilians wearing a uniform at things like the AVCRAD, but on your civilian personnel, what are you thinking you would have to do in terms of just telling them not to show up for work a certain of days for the next 6 months?

General GRASS. Senator, if full sequestration were to kick in—and some of the information we have passed on to the adjutant generals right now to plan on is 1 day a week maximum for the rest of the fiscal year, starting probably in April. Again, we have not implemented that. We are taking a look at that. What it really means especially for the National Guard is the bulk of our maintenance is completed each day by our civilian technicians, the ones that wear a uniform to work each day. And as we begin to draw those down for that time period, we begin to see a decrement in our readiness of our armories across the Nation. I just did a study the other day and looked at a 10 percent reduction of our rolling stock and our aviation here within the next 6 months. And that is on top of already a depot shutdown that is going to cause us problems.

Senator BLUNT. I may have some more questions just in writing on furloughs generally.

Secretary Carter, I have one last question. I am out of time. But I appreciated your sense that even if you are given some flexibility, now the time is so short and what money is left, that might not do what you need to have done. Were you asked, when you submitted your budget, to submit an alternative for the sequestration number for next year?

Dr. CARTER. No, we were not. We were asked to prepare the 2014 budget according to the fiscal guidance that we were given late last year.

Senator BLUNT. All right. Thank you.

Chairman LEVIN. Thank you, Senator Blunt.

Now Senator Blumenthal is kindly willing to yield to Senator Nelson for a question.

Senator NELSON. Mr. Secretary, how do you think the U.S. should respond to this dangerous and unprecedented action by North Korea?

Dr. CARTER. Well, you know, there is nothing more provocative than what the North Koreans did. I do not know if they did it to coincide with the State of the Union. They had several other holidays this week they could have taken advantage of. They tend to like to do this on holidays.

But in all seriousness, it is very dangerous. And we will take action to condemn and get the rest of the international community to condemn this test by North Korea. I am particularly looking to China, of course, to join in that condemnation. They have a pivotal role in influencing the future here for North Korea. That is an extremely dangerous situation for us. And the Chinese have significant influence over it, and we need them to use it.

Chairman LEVIN. Thank you.

Senator Blumenthal.

Senator BLUMENTHAL. Thank you, Mr. Chairman.

And thank each and all of you for your service to the country and your extraordinary performance under very, very difficult conditions, not only fiscal conditions but obviously the Nation remains at war, and your caring for the men and women in uniform has impressed me beyond words. Your dedication to them, whether it is health care or family. We often say here that our people are our most important asset, and you have lived that concept in the way you have led by example. And I am very, very grateful to you.

On that score, I want to ask you, Secretary Carter, in terms of people, you outline in your testimony the effects on TRICARE of the sequester, that it may mean cuts of \$2 billion to \$3 billion and that our health system for our military men and women may not be able to pay its bills. Can you tell us just very briefly what you see the effects of our potential sequester on health care for our men and women in uniform?

Dr. CARTER. Yes, I will say something and perhaps I can ask Secretary Hale to add to that.

But you are exactly right. Under this scenario that we all fear so much, by the time we get to the end of the year, we are out of money. And it is very hard to cut back health care the way you can cut back depot maintenance or training because you cannot just tell people they cannot be sick or they cannot see a doctor. You can do a little of that with elective procedures and so forth. But the reality is that by the end of the year we are, by our estimates, a few billion dollars short, and that will mean either trying to kick bills into the next year or we are going to have to simply cut back on the care we can provide.

Let me ask Secretary Hale.

Mr. HALE. Just briefly. We are actively looking for a way around what I view as a crisis, and it may be that the best way by far would be to detriquer this. You heard it repeatedly but let me just add my voice to that. We need to not do this.

Senator BLUMENTHAL. And my understanding is that the Navy is continuing with its program of two submarines per year, including 2014, Admiral Ferguson. Is that correct?

Admiral FERGUSON. Only in 2013. The 2014—we do not have an appropriations bill and that issue is unresolved for the multi-year for that submarine. So the two boats in 2013 are under contract and proceeding. It is questionable, based on the outcome of congressional action on both our budget request and the appropriate authorities.

Senator BLUMENTHAL. I am very concerned, as my colleagues have said, about the effect on our defense industrial base, our workforce, our skilled working men and women who build the Joint Strike Fighter or submarines or helicopters that they do in Connecticut or all around the United States and retaining that workforce if we are faced with sequester.

So again, I thank all of you for your service, and I hope we will be able to surmount that problem. Thank you.

Dr. CARTER. Mr. Chairman, just on that point, we have talked a lot about furloughs, and it is just worth noting that we need to find \$46 billion under sequestration between now and the end of the year. Furloughing everybody, all of our 800,000 employees, for the maximum allowable under the law gets \$5 billion. Even if we do that, we still have \$41 billion to go. That \$41 billion shows up in contracted services. That is where the money will come from. And it will affect all those people who work for us, that is, work for national defense, but they are not employees of the Department of Defense. And there are millions of such people and we do depend on them. They build our systems. They provide some of the expertise that we cannot keep in-house. And that \$41 billion—much of that will go to cutting their work for us.

General ODIERNO. If I could just add to that.

Senator BLUMENTHAL. Yes, General.

General ODIERNO. In the Army, we are going to have to reduce purchase order to over 3,000 small companies. Our assessment tells us 1,100 of those are then at moderate to high risk of bankruptcy if we have to execute this this year. And then you are not even talking about the impacts of the small companies that exist around all of our large installations that are dependent upon the support of the installations as we continue to reduce the dollars that are being spent at every one of our installations.

And then in our own industrial base, the depots—we said we are going to cut 5,000, but we actually believe if sequestration goes into effect, it will be well over 10,000, if we end up having to move out of depots in the out-years. And so the impact on our civilian team that we have built between our depots and our civilian assistance that we get from contractors will be quite significant, and it will really, from an Army perspective, hit the small companies, which I think is devastating for us as we move forward.

Senator BLUMENTHAL. That is very important and I thank you. Thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator Blumenthal.

Now, before I call on Senator Donnelly, there have been a number of questions for the record that have been referred to and there will be additional ones I am sure. And we would ask our witnesses,

because of the real shortness of time before that sequestration threat is executed, that you respond to those questions within 5 days. Thank you.

Senator Donnelly.

Senator DONNELLY. Thank you, Mr. Chairman.

And I want to thank all of you for your service to our country.

General Grass, obviously in Indiana we have a large National Guard presence. And you touched upon it briefly, but I was wondering if you could detail, in terms of our National Guard, the impact that sequestration will have as we move forward.

General GRASS. Senator Donnelly, the major impact in the near term of sequestration will be the reduction in our maintenance, and our maintenance readiness will decline drastically which will require us to park vehicles. As General Odierno has mentioned, we are so closely tied in the Army side with the contracts that they have in their depot maintenance, and a lot of our equipment returning from overseas—there is already a backlog.

In addition to that, then if we furlough or if we have a hiring freeze, we will go ahead and we will reduce the amount of maintainers at the armory level in hometown America, which further degrades our ability just through annual services, nothing else.

And with that, that time to respond to the disaster in your home States begins to increase. We had 2,500 guardsmen from 4 States this past weekend that responded. We will be able to continue to do the smaller ones. I am very concerned about the most regional long disasters, the catastrophic and complex catastrophes.

Senator DONNELLY. Thank you very much.

Mr. Secretary, this is for you or General Dempsey. Do you have a number you can live with in terms of reductions? You know, \$487 billion is too high. What is a number that you can live with?

Dr. CARTER. We have said we can live with \$487 billion, and we worked very hard last year to accommodate an adjustment that large. And as I said, that cut was on top of the cuts that Secretary Gates imposed, which were another several hundred billion dollars. So we understand that we need to play a role in deficit reduction. We understand that the country cannot afford to give us the amount of money they have been over the last 10 to 11 years. What we are saying here today is that we were able to do that, but we are now on the edge in many of our capability areas, and the suddenness, the scale, and the arbitrariness of sequester is what causes all these effects that you have heard about today.

General DEMPSEY. I would just add and the magnitude. The magnitude of another half trillion dollars over 10 years on top of the \$487 billion and on top of the Gates era efficiencies will put the current strategy at risk—not at risk. It will make it infeasible. So the question back to you will be what strategy will you as a member of the SASC and the Congress of the United States be willing to live with, which will be a degraded capability from what we provide today. And we will owe you that discussion. But any additional cuts will change the strategy.

Senator DONNELLY. I just want to ask real quick. In terms of suicide prevention programs, we lost, as I mentioned last week, more young men and women to suicide in the past year than we lost in

Afghanistan. And I was wondering the effect of sequestration on those programs, the mental health programs.

General ODIERNO. I mean, sequestration has an impact on everything. We have invested a lot of money and effort and time in trying to build resiliency and trying to get after the issues we have with suicide and many other issues. We have counselors that we have increased significantly in every one of our installations that help our families and our soldiers to work through coping mechanisms and problems that they have. But that will all be affected. We will not be able to afford the numbers of counselors that we have today. That is just simple. We cannot do it. That is one of our high priorities. We will try to sustain it at the highest level possible as we go forward, but it will have to take a reduction. This is serious business, as you know. Although the effort we have put into it, we have not yet put a dent into our suicide problem, and so this is of deep concern to all of us as we move forward.

It also impacts our other critical family programs that have helped us over the many years as our families have sacrificed so much over the last 10–12 years. Those will have to be reduced as well.

And so we are looking at this very carefully to find where the critical ones are and where the ones that are still important and not as critical. But in every case, we will have to reduce the size of all these programs.

Senator DONNELLY. Thank you all for your service.

Chairman LEVIN. Thank you very much, Senator Donnelly.

Senator King.

Senator KING. Thank you, Mr. Chairman.

Thank you, gentlemen.

This hearing must feel bizarre to you guys. It is one of the most strange hearings I have ever been in where a portion of the U.S. Government is talking about essentially going out of business because of decisions made somewhere else in the Government. Senator McCain talked about it being Orwellian. I would say it is more Alice in Wonderland. It is a very strange situation.

And, Mr. Carter, I am so glad you used the word "dumb" because that was the word that was in my notes. So you have given me license to use it. This whole thing is dumb. It is an arbitrary date. It means nothing. March 1st has nothing to do with what is going on in the economy or the credit of the United States or anything else. It is a totally self-imposed deadline.

And the impacts will be drastic. In my small State of Maine, 7,000 jobs is the calculation. George Mason University has just done a study of what the impacts of this will be State by State, and I commend it to my colleagues. They estimate 7,000 jobs in Maine, 4,000 in the defense sector at places like Bath Iron Works, Portsmouth Naval Shipyard. It is a disaster, and it is a self-imposed disaster that we do not have to do.

It is also hitting the wrong targets. Your budget as a percentage of GDP is relatively stable and in fact has been declining. Non-defense discretionary spending as a percentage of GDP is at the lowest level it has been in in 50 years. The growth in our budget over time and the deficit problem relates mostly to health care. And the

sequester has nothing to do with that whatsoever, and we have got to be having that discussion.

It is also terrible timing because it is hitting at a time of a fragile economy. I do not know if it can push us back into recession, but it certainly will not help with these thousands of layoffs and furloughs around the country. It is certainly going to kill the confidence of the economy in this institution of the U.S. Government that we can make decisions on a timely basis and respond to these problems intelligently and not with a blunt instrument.

And I believe, as some of you have testified today, it will increase long-term costs. In the Navy, for example, by getting rid of multi-year procurements, the ships which we ultimately need are going to cost more. And deferred maintenance is not savings. It has to be done eventually. And that is exactly what is going to happen here.

So I would again associate my comments with those of Senator McCain.

I think there is one person that can help us resolve this and that is the President of the United States. I think he has to precipitate a solution. If I were him—and believe me, there is no chance that is ever going to happen—but if I were him, I would have the helicopter running on the lawn of the Capitol this evening, take the leadership of Congress and the leadership of this committee to Camp David and say you have got 3 or 4 days, guys. Nobody leaves—men and women—until we get this thing solved. And I hope he takes the initiative because right now we are slouching toward a catastrophe for this country both in terms of its economy, in terms of its military readiness.

And I thank you for what you have done today, and hopefully that you have given us will have some impact throughout the Congress and at the other end of Pennsylvania Avenue because we can solve this. It is ridiculous to be at this stage at this time given the seriousness of the danger.

Thank you very much.

Chairman LEVIN. Thank you very much, Senator King.

Now, here is the order of battle. We have got Senator Hirono, Senator Gillibrand, Senator Manchin on our side that we know about. I suggested to Senator Manchin that he go vote on the first vote and try to come back so that he can have his turn. It is now Senator Hirono and then on our side Senator Gillibrand. If you could stick to 3 minutes, everybody, we may be able to pull this off.

Senator HIRONO. And of course, I join all my colleagues in thanking our distinguished panel.

I think it is abundantly clear that we need to avoid sequestration because the harm to our military, as well as on the civilian side, and the non-military spending will be quite devastating.

So, Secretary Carter, I was very struck by your saying very clearly that this is a self-inflicted situation and brought about by political gridlock. And so it is going to take us sitting here, along with the President, to get out of this gridlock.

I know that there are many potential threats that we face in the world today, including many in the Asia-Pacific theater, and only this morning we learned of actions taken by North Korea that are very troubling. And I believe that the administration is correct in

talking about rebalancing with an emphasis to the Asia-Pacific theater. Secretary Panetta last week said that a sequester would cut naval operations in the Pacific by a third.

General Odierno, I would like to ask you about the impacts on the Army's ability to carry out missions in the PACOM area of responsibility if sequester cuts are put in place.

General ODIERNO. Thank you, ma'am.

First, as I talked about 80 percent of our force having to stop training this year, that includes our forces in Hawaii. That includes our forces at Fort Lewis who are in PACOM. So there will be significantly degraded capabilities that they would have to respond to anything that goes on within Pacific Command.

Additionally, the Army is responsible for providing a significant amount of communications support, intelligence support, and logistical support to the PACOM theater. Their ability to do that will also be affected by sequestration, specifically in fiscal year 2013 but beyond.

We have tried to fence our capability in Korea to make sure they are at the highest readiness level. We will continue to do that. But the cuts in family programs, cuts in soldier programs, cuts in our civilians will also impact Korea as well.

So for us, it has a significant impact on our ability to operate in the Pacific for the next several years.

Senator HIRONO. For General Dempsey, I am glad that we are going to protect wounded warrior programs because that is one of the more, I would say, important programs to enable our people coming back from Iraq and Afghanistan to be able to transition back into civilian life.

But I think there was mention about other programs such as counseling, family-related programs. How would those kinds of programs that support our servicemembers and their families be negatively impacted by sequestration?

General DEMPSEY. Thanks, Senator.

I should mention, by the way, in addition to the effect in the Pacific of the Army, we are in the process of moving significant U.S. Marine Corps forces into the Pacific. General Amos can speak to that.

Think of it this way. Base operations, that is to say the support services, whether it is any of the things you mentioned or teachers in the clinics or teachers in the schools, medical professionals in clinics—about 30 percent of base operations will be degraded.

Senator HIRONO. Thank you. My time is up.

Chairman LEVIN. Okay. Now, we alternate here. So it goes to Senator Lee next. I would suggest—these are 3-minute questions. So please, if you would, Senator Lee, stick right to that so Senator Gillibrand will be next.

Senator LEE. Great. Thank you very much, Mr. Chairman, and I will be as brief as I can possibly be here.

In December 2012, Senator Chuck Hagel, the nominee to become the Secretary of Defense, sat for an interview with the Financial Times. When he was asked about outgoing Secretary Panetta's comments that budget sequestration would be disastrous to national defense, Senator Hagel replied as follows. The Department of Defense I think in many ways has been bloated. The Defense De-

partment has gotten everything it has wanted the last 10 years and more. We have taken priorities. We have taken dollars. We have taken programs. We have taken policies out of the State Department, out of a number of other Departments and put them over in Defense. The abuse and waste and the fraud is astounding. I think the Pentagon needs to be pared down. I think we need the Pentagon to look at their own priorities.

We are pressed for time. So I would, if I could, like to have each of the Joint Chiefs go down the line and just briefly, if you can answer with a yes or no, answer whether you agree with this general characterization that Senator Hagel made. That would be great.

Dr. CARTER. I am not a member of the Joint Chiefs, but let me try. It is a good question. It is a fair question. And I cannot speak for Senator Hagel, but my interpretation of that is along the lines of something that Secretary Gates used to say which was that we had accumulated over the decade post-September 11 when our budget kept going up every year—and I said this, by the way, when I was Under Secretary for Acquisition, Technology, and Logistics. When your budget goes up year in and year out, I think it is fair to say that when you had a management problem—all of our managers—it was easy to reach for more money to solve your management problem, whether it is a technical problem in a program or something like that. So it was noticeable to me when I was Under Secretary for Acquisition, Technology, and Logistics that in some places that habit had accumulated over the decade.

And that is why Secretary Gates started his efficiency initiative, which I was part of, and our efforts to reform the acquisition system and to improve our performance. And in parallel, we have absorbed \$487 billion in budget cut in a way where I think we all said we could still accomplish the mission of the Nation. And that speaks to the fact that we could do what the country needed with less. So we have made that accommodation.

What we are saying today is we cannot do that strategy if there are further cuts. So we have accommodated a substantial budget adjustment relative to a few years ago. We have tried to do it in a strategic way. But what we are saying today is we cannot take another major cut and sustain that strategy.

Senator LEE. Thank you. I see my time has expired. In deference to my friend from New York, I will defer. I will say it does appear to be somewhat inconsistent with Senator Hagel's statement since it was made just recently, just in December. Thank you.

Senator Gillibrand [presiding]: Thank you, Mr. Ranking Member.

Thank you for your testimony. It is incredibly distressing to hear the statements that you have made today. As the Senator from New York, I am very troubled about emerging threats as New York City is one of the top terror targets. We have two missions for WMD under the National Guard. Cutting those programs obviously puts us at great risk. We have a lot of National Guard contingencies and operations throughout the State, which is essential for recovery efforts. We saw what an amazing job they did during Hurricane Sandy. So I am very concerned that with these kind of cuts, we are exposing ourselves to very grave vulnerabilities.

I also have concerns about cyber, and the cyber threat is obviously one of our gravest emerging threats. We do a lot of work for them in Rome Labs.

And I am worried about our training. Obviously, Fort Drum is one of the premier training operations we have for the Army, and we need to keep those resources available.

I would like you to briefly talk about, if you can quantify, how are our risks now elevated because of these cuts.

General DEMPSEY. Well, Senator, let me answer briefly and see if one of the chiefs, in the terms of their service, want to respond.

You asked exactly the right question. How is risk elevated? So what we provide is a deterrent against our enemies and assurance of our allies, and then where we cannot do as much deterrence or assurance as we think we need, we talk about risk. We are going to be less forward. We will have less forces to provide that assurance, meaning risk goes up and we could find ourselves, as I describe it, vulnerable to coercion.

But let me see if any of the chiefs want to comment.

General GRASS. Senator, I do applaud the great work of New York throughout Sandy as well as this past weekend.

My real concern for the National Guard is, as we continue to draw down in our ability to go train at regional hubs or also in the training centers, we will reduce the proficiency of our leaders and also of our operators. Many times when we respond to a situation like Hurricane Sandy, those pilots flying those helicopters are really in extreme conditions, and we will degrade their ability to fly.

Senator INHOFE. Senator Gillibrand, Senator Lee has asked that you answer the question that he asked the service chiefs, answer the question for the record so I have that.

I am sorry for the interruption, Senator Gillibrand.

Senator GILLIBRAND. Then my second question is obviously as we are looking at emerging threats worldwide, al Qaeda has truly metastasized. It obviously needed Afghanistan as its base of operations to train and plan September 11. Since al Qaeda is now remotely operated worldwide, we have a presence in Somalia, Yemen, Mali, all over the world. I know the President is intending to announce his decisions with drawing down troops. It has been rumored to be released shortly, pulling troops, about 34,000, out of Afghanistan.

Do you imagine that having a lighter footprint long-term to be able to deal with these threats worldwide will be something that you will recommend and as a way also to shift how we spend money and in what way?

Dr. CARTER. I will comment on that and ask the Chairman or anyone else.

It is part of our strategy—this is pre-sequester—to maintain what we call, exactly as you said, light footprint presence in many parts of the world where terrorist groups could seek a safe haven. And that is exactly part of our strategy. You do see that going on. And it is part of the special operations force structure decisions that we were discussing earlier with Senator Hagan, namely our decision, if sequester does not go through of course, to maintain and even slightly increase the number of special operations forces

so that they can maintain that wider global footprint as things in Afghanistan wind down.

Let me ask the Chairman.

General DEMPSEY. Yes. The only thing I would add, Senator, is the question you asked is exactly what this group at the table does. The Joint Chiefs are responsible for balancing global responsibilities, for looking at ways to do things, sometimes directly ourselves, sometimes through partners in a region. And I think what you are hearing today is that our ability to do that is going to be called into doubt given the effects of sequestration.

Senator GILLIBRAND. Thank you, gentlemen.

We are going to call a short recess in this hearing until the chairman returns. Thank you. [Recess.]

Chairman LEVIN [presiding]. We will come back to order.

Senator Manchin, who has been here all morning, will put his questions in the record. He has kindly consented to do that.

[The information follows:]

[COMMITTEE INSERT]

Chairman LEVIN. My questions will also be made part of the record.

[The information follows:]

[COMMITTEE INSERT]

Chairman LEVIN. I want to thank our panel for their very powerful testimony this morning. It is incumbent upon those of us that are elected to do the country's business that we avoid sequestration, that we avoid the year-long CR as well. These are mindless, irrational activities. They are not intended to become operative. They are intended to force us, kind of an action-forcing mechanism to do what needs to be done, and hopefully they can still perform that role. But as of right now, that threat remains.

It is incumbent upon the Congress and the President to remove that threat. I will say both threats because they are both real threats to the well-being of this country both in terms of our security but also in terms of so many other important programs that the Federal Government helps to fund.

So, again, we will appreciate answers within 5 days of these questions because of the time constraints that we have. We are grateful to you for your service and for those with whom you serve, for their service and their families.

We will stand adjourned.

[Whereupon, at 12:06 p.m., the committee adjourned.]