

**DEPARTMENT OF DEFENSE AUTHORIZATION  
OF APPROPRIATIONS FOR FISCAL YEAR  
2015 AND THE FUTURE YEARS DEFENSE  
PROGRAM**

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**WEDNESDAY, MARCH 5, 2014**

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

**MILITARY POSTURE**

The committee met, pursuant to notice, at 9:36 a.m. in room SH-216, Hart Senate Office Building, Senator Carl Levin (chairman) presiding.

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

Committee staff member present: Peter K. Levine, Staff Director.

Majority staff members present: Jonathan D. Clark, counsel; Richard W. Fieldhouse, professional staff member; Creighton Greene, professional staff member; Gerald J. Leeling, general counsel; Jason W. Maroney, counsel; Mariah K. McNamara, special assistant to the staff director; William G.P. Monahan, counsel; Michael J. Noblet, professional staff member; 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; Daniel C. Adams, minority associate counsel; Steven M. Barney, minority counsel; William S. Castle, minority general counsel; John D. Cewe, professional staff member; Samantha L. Clark, minority associate 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; Natalie M. Nicolas, minority research assistant; and Robert M. Soofer, professional staff member.

Staff assistants present: Daniel J. Harder, Brendan J. Sawyer, Alexandra M. Hathaway, and Robert T. Waisanen.

Committee members' assistants present: Carolyn A. Chuhta, assistant to Senator Reed; Stephen C. Hedger and Jason D. Rauch, assistants to Senator McCaskill; Christopher M. Cannon, assistant to Senator Hagan; David J. LaPorte, assistant to Senator Manchin; Patrick T. Day, assistant to Senator Shaheen; Moran Banai and

Jess C. Fassier, assistants to Senator Gillibrand; Ethan A. Saxon, assistant to Senator Blumenthal; David J. Park, assistant to Senator Donnelly; Karen E. Courington, assistant to Senator Kaine; Stephen M. Smith, assistant to Senator King; Paul C. Hutton IV, assistant to Senator McCain; Lenwood A. Landrum, assistant to Senator Sessions; Brandon H. Bell, assistant to Senator Chambliss; Joseph G. Lai, assistant to Senator Wicker; Bradley L. Bowman, assistant to Senator Ayotte; Peter W. Schirtzinger, assistant to Senator Fischer; Craig R. Abele, assistant to Senator Graham; Joshua S. Hodges, assistant to Senator Vitter; Charles W. Prosch, assistant to Senator Blunt; Peter H. Blair, assistant to Senator Lee; and Victoria Coates and Jeremy H. Hayes, assistants to Senator Cruz.

#### **OPENING STATEMENT OF SENATOR CARL LEVIN, CHAIRMAN**

Chairman LEVIN. Good morning, everybody.

Secretary Hagel, General Dempsey, Secretary Hale, welcome. We thank you for joining us.

We meet today to hear from you about the fiscal year 2015 budget proposal for the Department of Defense, and we do so at a time of extraordinary challenge and uncertainty for the Department of Defense and for the Nation.

Members of this committee are well aware of the threats that face our military around the world today, from an unreliable partner in the President of Afghanistan to a dangerous and unstable situation in Ukraine, from an al Qaeda resurgence in Syria and Iraq to a new set of challenges in Asia and the Pacific Rim.

Hanging over all those issues is a fundamental question, one the budget proposal before us makes clear in stark terms. And the question is whether the resources that we are providing to the Department of Defense are adequate to enable our military to meet its national security missions.

The proposal before us makes reductions in force structure and compensation that will be difficult for many to support. These reductions were driven by the top line of the budget, a top line that Congress dictated when we enacted the Budget Control Act of 2011 and reaffirmed, with minor relief for the Department of Defense and other agencies, in the Bipartisan Budget Act that we enacted earlier this year. The top line of \$496 billion established in law for the fiscal year 2015 military budget is unchanged from the funding level in fiscal years 2013 and 2014 and remains more than \$30 billion below the funding provided to the Department in fiscal years 2010, 2011, and 2012.

Put simply, the spending caps included in that legislation seriously challenge our ability to meet our national security needs and to meet our obligation to protect and promote public safety, health, education, justice, transportation, the environment, and other domestic needs.

The Budget Control Act cut \$487 billion from the Department of Defense budget over 10 years, and the sequestration cut another \$500 billion on top of that. The Bipartisan Budget Act that we recently passed means that we will partially avoid sequestration for 2014 and 2015, but only partially.

While we have made some progress against the deficit, we have done so not by making the structural reforms to revenues and entitlement programs that would put us on a sound financial footing, but by continuing cuts to the funding that the Department of Defense and other Federal programs need to meet important national priorities. This shortfall requires painful tradeoffs in just about every area of the Department of Defense budget.

For instance, the budget proposes significantly lower end strengths for the ground forces, including a further reduction of 50,000 in active duty Army end strength, with smaller reductions in the Guard and Reserve. The budget restricts the pay raise for servicemembers below the rate of inflation, freezes pay for general and flag officers, begins a phased reduction in the growth of the housing allowance that will result in servicemembers paying 5 percent out of pocket for housing costs, reduces support to commissaries, and makes significant changes to the TRICARE benefit.

The budget also calls for retiring the Air Force's A-10 and U-2 aircraft, inactivating half of the Navy's cruiser fleet, reducing the size of the Army's helicopter fleet by 25 percent, and terminating the Ground Combat Vehicle program.

If sequestration budget levels remain in effect in fiscal year 2016 and beyond, the Department of Defense has informed us that it will request further reductions in end strength, the retirement of the entire KC-10 tanker fleet and the Global Hawk block 40 fleet, reduced purchases of Joint Strike Fighters and unmanned aerial vehicles, the inactivation of additional ships, reduced purchases of destroyers, and the elimination of an aircraft carrier and a carrier air wing. The argument for these cuts is that they are needed to pay for the restoration of some of our reduced readiness and protect the investments in technology and equipment that we need to ensure that our men and women in uniform will continue to be the best prepared, best equipped force in the world in a time of sharply reduced budgets.

The Department has wisely chosen to increase its investment in the areas of cyber operations and special operations where our need for increased capability is most clear. And the Department has also correctly recognized that while our military may need to be smaller, it must not be hollow, whatever its size. As the acting Deputy Secretary of Defense told us last month, if we do not provide enough funding to supply our troops the latest technology and training that they need, we are doing them a disservice, and when we send them into harm's way, that disservice can quickly translate into a breach of trust.

If we want to restore funding cuts proposed in the President's budget, we have two choices. We can raise the statutory funding caps or we can find other savings in the defense budget to pay for any proposed cuts that we do not want to make. The budget proposal itself takes the first approach with proposed spending above the statutory caps. This is the so-called Opportunity, Growth, and Security Initiative, which would provide an additional \$56 billion of funding Government-wide in fiscal year 2015, including an additional \$26 billion for the Department of Defense.

In addition, the Future Years Defense Plan, the FYDP, assumes that the caps established in the Balanced Budget Act established

in law will be modified and that the Department will receive \$115 billion above the statutory caps for the 4 years starting in fiscal year 2016. And we are told that the administration has proposals to pay for these increases, but we have not yet seen the details.

So in addition to the many other program and budget issues that we need to address, we are interested in hearing more specifics from today's witnesses about proposed funding above the statutory caps, the \$26 billion in the so-called Opportunity Fund for fiscal year 2015 and the \$115 billion above the caps in subsequent fiscal years in the FYDP. We need to know how this additional money would be used to help restore more of our military readiness and what the consequences would be if Congress fails to provide those additional funds. While these additional funds would not fully offset the damage that sequestration spending caps have done, the added money would, hopefully, help make our looming collision with budget reality less damaging.

Secretary Hagel, General Dempsey, the corner that the Budget Control Act has painted the Department into has forced you to make some difficult choices. We will, of course, scrutinize the Department's recommendations. I have no doubt that in some cases our choices will differ from yours, but that should not distract us from the larger issue, which is that the budget caps that are now in law provide the Department of Defense and, indeed, the entire Federal Government with resources that are unequal to the mission that we expect you to carry out. I have not given up hope that we can, on a bipartisan basis, come to an agreement that will provide more adequate funding to meet our national security and other vital priorities.

I would also ask you to comment as part of your opening statement on the current situation in Ukraine and to inform us and the public as to what your view is on these very rapidly unfolding events.

We thank you and turn to Senator Inhofe.

#### **STATEMENT OF SENATOR JAMES M. INHOFE**

Senator INOFE. Thank you, Mr. Chairman.

The recent events across the Middle East, Africa, and most recently the Ukraine have brought into sharp focus the reality that President Obama seems unwilling to accept, that the tide of war is not receding. Instead, U.S. national security is being challenged in ways we have never seen before.

During a recent trip that I made through Africa and Europe and Afghanistan, I met with our troops, diplomats, and foreign partners. They all made clear that the global security environment they are facing is more volatile and complex than any time in recent memory and growing more dangerous by the day. Putin's abrupt invasion of Ukraine last week only underscores this troubling reality.

Director Clapper, Director of National Intelligence, told this committee in February that—and I quote—looking back over my now more than half century in intelligence, I have not experienced a time when we have been beset by more crises and threats around the globe. Yet, this administration's misguided budget priorities are robbing our military men and women of the tools they need to de-

fend the Nation against growing threats. At a time when our national intelligence experts tell us that we face the most diverse, complex, and potentially damaging threats to our national security in history, we are poised to slash defense budgets by a trillion dollars during this decade.

The results of these cuts have been devastating to our national security. The Navy is at a historical low level of ships. The Air Force, the smallest in history. Ground forces may fall to the level below the beginning of World War II. Readiness levels of remaining forces are plummeting, and commanders now use the term “hollow” to describe their ability to defend the Nation.

Last October, General Odierno said that he had only 2 brigade combat teams out of 40 that were ready for combat.

Secretary Hagel, you said just last week, quote, American dominance on the seas, in the skies, and in space can no longer be taken for granted. I appreciate your honesty on that.

Frank Kendall, your Under Secretary of Defense for Acquisition and Technology, said, quote, the U.S. military’s technological superiority is being challenged in ways that I have not seen before.

Some in this town have accepted that gutting our military is necessary to rein in our growing debt. They could not be more wrong. Defense spending is not what is driving our—similar to that chart over there—is not what is driving our debt crisis. Runaway entitlement spending is the real driver of the exploding national debt. The reality is that defense spending accounts for only about 16 percent of the annual spending, while entitlement spending accounts for more than 60 percent.

Now, if you look at the last two bars, that is fiscal years 2014 and 2015 which shows that your entitlement benefits are increasing even more—that is 3 percent more—while our defense is going down from 17 or about 17½ to 16 percent. So it is not getting any better. It is getting worse.

Over the last 5 years, the President has repeatedly chosen to ignore the facts. Not once during his time in office has the President put forward a budget that proposed any meaningful reform to entitlement spending. Instead, he has consistently demonstrated that politics takes priority over our fiscal house, and far too often, it is our military men and women who are paying the price.

This year’s budget is no different. In fact, the so-called Opportunity, Growth, and Security Initiative continues this troubling trend. It holds necessary resources for our military that could be used to begin rebuilding readiness and capabilities hostage for more domestic spending and higher taxes. That is irresponsible.

What is being done to our military is not new. We have made this mistake before. The military drawdowns from the 1970s and the 1990s were more budget-driven follies intended to realize a peace dividend that proved to be short-lived. It left the country with a military too small to meet its ability and rising threats of a dangerous world. And each time, we did not realize the folly of these decisions until it was too late.

Today, our forces are being asked to do more with less training, less equipment, untimely and ultimately less capability. This budget lacks a realistic assessment of the increased risks on the battle-

field and the increased risks our service men and women are forced to make. And as we have all said many times, risk equals lives.

I thank you, Mr. Chairman.

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

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

Secretary HAGEL. Chairman Levin, Ranking Member Inhofe, members of the committee, thank you for this opportunity to present our budget for fiscal year 2015 and to address some of the specific questions that the chairman noted, as well as Ranking Member Inhofe, about what was behind a number of the decisions that we made as we prepared this budget, how we made those decisions.

I appreciate being here today with General Dempsey. Chairman Dempsey has been an integral part of our defense enterprise, this Nation's leadership. I have valued his counsel, his leadership, his partnership. I appreciate his service to the country. I know this committee appreciates his leadership and service to the country.

I also want to acknowledge Bob Hale, who is our current Comptroller, who will be involved in his last budget presentation after 5 years of very distinguished service to this country and the Department of Defense. I would tell you, as Secretary of Defense—and I suspect my predecessors, Secretary Gates and Secretary Panetta, would say the same—Bob Hale has been an indispensable part of the process at a very, very difficult time. Hale and his people have worked tirelessly, continue at a time that is probably as uncertain as we have been through maybe anytime since World War II. When we talked about Government shutdowns for 16 days, furloughs, budget uncertainty, no budget, it has been his remarkable leadership that has helped us. I do not think I overstate Bob Hale's value to our Department and this country.

While, as you suggest, Mr. Chairman, our focus today is on the fiscal year 2015 budget. Let me address generally the situation in Ukraine, and I will then as in his statements—General Dempsey—for his comments. General Dempsey and I have both over the last few days been in constant touch with our fellow ministers and CHODs at NATO, as well as Russia, Ukraine. In fact, today we are putting together a call for me with the new minister of defense for Ukraine. Over the last couple weeks, I had conversations with the previous two ministers. General Dempsey spoke this morning with the Russian CHOD who expressed a number of points that I will let General Dempsey note.

I spoke Saturday with the Russian minister of defense, Minister Shoigu, about this. We have also constantly been in touch, as I said, with our collaborators on our side of the Atlantic, allies, NATO partners in particular, on the issue.

I was at NATO last week where I attended the regularly scheduled NATO ministerial. We took a few hours to meet with the NATO Ukraine commission. We had then the deputy minister of defense with us of Ukraine and spent some time with him.

Across the administration, our efforts, as you know, Mr. Chairman, have been focused on deescalating the crisis, supporting the new Ukrainian Government with economic assistance, and reaffirming our commitments to allies in Central and Eastern Europe. I strongly support the administration's approach to this deescalation. As you all know, Secretary Kerry was in Kiev yesterday. He is in Paris today. He is scheduled to meet with Russian Foreign Minister Lavrov today. There was a NATO meeting yesterday, another NATO meeting today. OSCE has announced that it is sending 35 observers to Ukraine. The other forums that the United States is part of—they are also meeting. The UN has had one Security Council meeting. There, I suspect, will be more and other activities along the diplomatic and economic front.

I earlier this week directed the Department of Defense to suspend all military-to-military engagements and exercises with Russia. In particular, that includes two trilateral exercises that we had scheduled with the Russians, one with the Canadians and the Russians, the other with the Norwegians and the Russians.

Also this morning, the Defense Department is pursuing measures to support our allies, including stepping up joint training through our aviation detachment in Poland—it is an area that I visited a few weeks ago—and augmenting our participation in NATO's air policing mission on the Baltic peninsula. Our EUCOM Commander, General Breedlove, is convening Central and Eastern European chiefs of defense.

Mr. Chairman, I think everyone on this committee knows—in particular, I know Senator McCain was in Ukraine a few weeks ago—that this is a time for wise and steady and firm leadership, and it is a time for all of us to stand with the Ukrainian people in support of their territorial integrity and their sovereignty. And we are doing that. That, in particular, is what President Obama continues to do as we pursue diplomatic and economic options.

And I would like to, again, thank the committee, Mr. Chairman, for your role in this.

Just another point about supporting the administration's approach to how we all are coming at this crisis, this economic package that we are proposing—as you all know, the OSCE has also proposed an economic package working with the IMF—for Ukraine is a particularly important part of this, and we will continue to work those channels, as well as the diplomatic channels.

Mr. Chairman, I think it is clear, as you had noted and Ranking Member Inhofe in your opening statements, that the events of the past week underscore the need for America's continued global engagement and leadership. The President's defense budget reflects that reality, and it helps sustain our commitments and our leadership at a very defining moment. I believe this budget is far more than a set of numbers and a list of decisions. It is a statement of values and priorities. It is a budget grounded in reality, and you noted some of that reality, Mr. Chairman, in your remarks. It is a reality that prepares the U.S. military to defend our national security in a world that is becoming less predictable, more volatile, and in some ways more threatening to our country and our interests, as was noted in Ranking Member Inhofe's statement. It is a

plan that allows our military to meet America's future challenges and our future threats. It matches our resources to our strategy.

And it is a product of collaboration. All of DOD's military and civilian leaders were included: the Chairman, Vice Chairman, Service Secretaries, Service Chiefs, all of our people. We value their leadership, their input. Our senior enlisted input was important.

And as we all know, America has been at war for last 13 years. As we end our second war of the last decade, our longest ever, this budget adapts and adjusts to new strategic realities and fiscal restraints while preparing for the future.

This is not a business as usual presentation. It is a budget that begins to make the hard choices that will have to be made. The longer we defer these difficult decisions, the more risk we will have down the road, and the next DOD leaders and Congress will have to face more complicated and difficult choices.

You have outlined in your statement, Mr. Chairman, some reflection of the kinds of cuts the Department of Defense has had to take over the last couple of years and what is out ahead of us. December's Bipartisan Budget Act, which you referenced, gave DOD some temporary relief. It gave us some temporary relief from sequestration, and it gave us some certainty for planning for a year. But it still imposes more than \$75 billion in cuts over the next 2 years, and unless Congress changes the law, as you have noted, sequestration will cut another \$50 billion starting in fiscal year 2016.

The President's 5-year plan provides a realistic alternative to sequestration, projecting \$115 billion more than current law allows. DOD requires additional funding to implement our updated defense strategy as outlined in the QDR. The strategic priorities articulated in the QDR represent America's highest security interests: defending the homeland, building security globally, deterring aggression, and being ready and capable to win decisively against any adversary. The funding levels in the President's budget let us execute this strategy, with some increased risks in certain areas.

And I made clear in my much, much longer written statement—and it is quite clear in the QDR—what these risks are. We have not held back on the reality of these risks. These risks would be reduced, however, if Congress approves the President's Opportunity, Growth, and Security Initiative, a proposal that would provide DOD with an additional \$26 billion in fiscal year 2015 to, as you have asked the question, improve readiness and modernization. That \$26 billion represents an effort that would help dig us back out of the hole that we have been in the last 2 years on readiness, particularly focused on modernization. My submitted statement, as I said, contains details of this initiative, which I strongly support.

Although our 5-year budget plan exceeds sequestration levels, over the past year, DOD has prepared detailed planning for continued sequestration level cuts showing the even hard choices we would have to make in order to comply. Those too are laid out. Even though we are requesting spending levels above sequestration, we have maintained flexibility in our budget, flexibility to respond immediately to the lower top line, should sequestration be reimposed. We did this by reprogramming some of the sequestration level force structure reductions that take longer to plan and longer to implement, such as the decommissioning of the aircraft

carrier, the USS *George Washington*. This was the responsible thing to do. It was responsible, given the reality that DOD might continue to experience the large cuts in budget and sequestration laws because of going back, reverting to sequestration in 2016.

That is why I have issued formal guidance to service leadership, Mr. Chairman, that these specific reductions will not be made if Congress indicates it will make future appropriations at the top line levels in our 5-year plan. DOD has the responsibility to prepare for all eventualities, just as Congress has the responsibility to provide DOD with some budget predictability. My submitted statement explains our budget details and the rationale behind those key decisions.

But I wanted to, as I close, Mr. Chairman, briefly address some very critical issues.

First, the balance between readiness capability and capacity. To meet our national security needs under constrained budgets, we focused on the balance, the balance that will be required to defend this country going forward. After more than a decade of long, large stability operations, we traded some capacity to protect the readiness and modernization capabilities as we shift to focus on future requirements. These are shaped by enduring and emerging threats. We have to be able to defeat terrorist threats and deter our adversaries with increasingly modern weapons and technological capabilities. We must also ensure that America's economic interests are protected through open sea lanes, freedom of the skies and space, and deal with one of the most urgent and real threats all nations, cyber attacks. That is why we protected funding for Cyber and Special Operations forces.

For the active duty Army, Mr. Chairman, we propose drawing down to about 440,000 to 450,000 soldiers, less than 10 percent below its size pre-September 11. I believe this is adequate for future demand. We will continue investing in high-end ground capabilities to keep our soldiers the most advanced on earth. Army National Guard and Reserve units will remain a vibrant part of our national defense and will draw down by 5 percent. It will also streamline Army helicopter force structure by reducing the Guard's fleet by 8 percent. The Active Army's fleet will be cut by 25 percent, but we will still maintain and keep these helicopters modernized with the latest technology as we move from a fleet of seven models to four.

These decisions, including our recommendation to trade out Apaches in the Guard for Blackhawks, were driven by strategic evaluations. Guard units may prefer the Apache, but under the constrained budgets, high-demand resources like Apaches must be where they can deploy fastest. As our NORTHCOM Commander recently testified, his homeland missions do not require armed attack helicopters.

The Navy, for its part, will take 11 ships out of its operational inventory, but they will be modernized and returned to service with greater capability and longer life spans.

The Marine Corps will continue its planned drawdown to 182,000, but will devote 900 more marines to increased embassy security. Though smaller, the marines will remain ready and pos-

tured for crisis response as they move back to their expeditionary amphibious roots.

And the Air Force, as you have noted, will retire the A-10, replacing it with more modern and sophisticated multi-mission aircraft like the Joint Strike Fighter.

The specific numbers and reasons for all of my recommendations, as I have noted, are included in my statement.

As I close, Mr. Chairman, regarding compensation reform, taking care of our people means providing them with both fair compensation, as well as the training and tools they need to succeed in battle at any time anywhere and return home safely. To meet those obligations under constrained budgets and achieve that balance, we need some modest adjustments to the growth in pay and benefits. All these savings will be reinvested in training and equipping our troops. And there are no proposals to change retirement in this budget.

Let me clarify what these compensation adjustments are and what they are not.

First, we will continue to recommend pay increases. They will not be as substantial as in past years, but they will continue.

Second, we will continue subsidizing off-base housing costs. The 100 percent benefit of today will be reduced, but only to 95 percent, and it will be phased in over the next several years.

Third, we are not shutting down any commissaries. We recommend gradually phasing out some subsidies but only for domestic commissaries that are not in remote locations. Since commissaries will continue to operate tax- and rent-free, they will still be able to provide more people with a very good deal, as they should.

Fourth, we recommend simplifying and modernizing our three TRICARE systems by merging them into one TRICARE system with modest increases in co-pays and deductibles that encourage using the most affordable means of care. Active duty personnel will still receive health care that is entirely free. This will be more effective and more efficient and will let us focus more on quality. Overall, everyone's benefits will remain substantial, affordable, and generous, as they should be.

The President's defense budget is responsible. It is balanced and it is realistic. It supports our defense strategy, defends this country, and keeps our commitments to our people not only ensuring that they are well compensated, but they have the best training and equipment in the world.

However, these commitments would be seriously jeopardized by a return to sequestration-level spending. My submitted testimony details how sequestration would, in fact, compromise our national security. The result of sequestration-level cuts would be a military that could not fulfill its defense strategy, putting at risk America's traditional role as a guarantor of global security and ultimately our own security. That is not the military the President and I want for America's future. I do not think that is the military this committee wants for America's future, but it is the path we are on.

Mr. Chairman, members of the committee, DOD leaders and I look forward to working with you as we make these difficult choices, these hard decisions that will be required to ensure Amer-

ica's security today and into the future and protect our national interests.

Mr. Chairman, thank you.

[The prepared statement of Secretary Hagel follows:]

Chairman LEVIN. Thank you, Secretary Hagel.

General Dempsey.

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

General DEMPSEY. Thank you, Mr. Chairman, Senator Inhofe, other distinguished members of this committee. It is a privilege to be back here to provide you an update on our armed forces and to discuss our defense budget for 2015.

I want to add my appreciation to Under Secretary Hale for his leadership and for his many years of service to the Department and to our Nation.

Let me begin by acknowledging the alarming progression of events in the Ukraine over the past few days. Our senior leaders have made it clear that they wish to see Russia's provocation resolved through diplomatic means and in close collaboration and coordination with our allies.

Over the past several days, I have spoken with most of my NATO counterparts and in particular those in the Baltics and in Eastern Europe. Understandably, they are concerned. They seek our assurance for their security. During our conversations, we committed to developing options to provide those assurances and to deter further Russian aggression. We agreed that together we must help shape a path back to the sovereignty and security for all the people of the Ukraine. Simply put, the allies stand together.

As you know, I recommended suspension of our military-to-military exchanges with the Russian Federation. The nature and extent of Russia's actions really left us very little choice.

I have also directed European Command to consult and to plan within the construct of the North Atlantic Council. Obviously, we want to provide NATO's leaders with option that stabilize and not escalate tensions in the Ukraine. But we are only one part of that equation.

I spoke this morning with my Russian counterpart, General Valiry Gerasimov. I conveyed to him the degree to which Russia's territorial aggression has been reputed globally. I urged continued constraint in the days ahead in order to preserve room for a diplomatic solution.

Russia's actions remind us that the world today remains unpredictable, complex, and quite dangerous. We cannot think too narrowly about future security challenges, nor can we be too certain that we have it right. The world will continue to surprise us, often in unpleasant ways.

So that was how my last week ended. It began for me in Afghanistan, addressing the security challenges that remain in that region and where I went to gain firsthand appraisals from our troops and from our commanders. As always, I left there inspired. They remain fully engaged on the missions set before them. They continue to build the institution of the Afghan National Security Forces which, given the right political structure around them, has the

ability to sustain the fight. We will be prepared to support a variety of options over the next several months as our relationship with Afghanistan moves forward. This includes, of course, the option to draw down by the end of the year if that is the decision made by our elected leaders.

Meanwhile, our joint and NATO team has much work to do this year, and they are ready for it. The global commitments of the joint force are not shrinking. Neither are our global security threats. The most likely threats emanate from violent extremist groups and from ungoverned spaces. Yet, we can never discount the possibility of state-on-state conflict. Therefore, our force must remain postured to provide options across the full spectrum of potential conflict.

At the same time, the balance between our security demands and our available resources has rarely been more delicate, and that brings me to the budget. The Secretary has walked you through the major components of the fiscal year 2015 budget proposal, which is a pragmatic way forward. In my view, it balances as best as it can our national security and fiscal responsibilities. It provides the tools for today's force to accomplish the missions we have been assigned, rebuilding readiness in areas that were, by necessity, deemphasized over the past decade. It modernizes the force for tomorrow, ensuring that we are globally networked and that we can continue to provide options for the Nation. And it reflects in real terms how we are reducing our costs, the costs of doing business, and working to ensure that the force is in the right balance. As a whole, the budget helps us to remain the world's finest military, modern, capable, and ready even while transitioning to a smaller and more affordable force over time.

But as I said last year, we need time. We need certainty, and we need flexibility to balance the institution to allow us to meet the Nation's need for the future. The funds passed by this Congress in the bipartisan budget agreement allow us to buy back some of our lost readiness and continue to make responsible investments in our Nation's defense. It does not solve every readiness shortfall. It is not a long-term solution to sequestration, but it does give us a measure of near-term relief and stability.

The Joint Chiefs and I will never end our campaign to find every possible way to become more effective. We will do things smarter and more efficiently, more in line with the sorts of security challenges that we face today and in line with the fiscal reality. We will seek innovative approaches as an imperative not just in technology but also in how we develop our leaders, aggregate and disaggregate our formations and work with our partners. We will improve how we buy weapons and goods and services, and we will invest deeper in developing leaders of consequence at every level, men and women of both competence and character who are good stewards of the special trust and confidence gifted to us by our fellow citizens.

But we have infrastructure that we do not need and, with your support, we ought to be able to reduce. We have legacy weapons systems that we cannot afford and, with your support, we ought to be able to retire. We have personnel costs that have grown at a disproportionate rate and we ought to be able to slow the rate in a way that makes the all-volunteer force more sustainable over time.

If we do not move toward a sounder way to steward our Nation's defenses, we do face unbalanced cuts to readiness and modernization. We simply cannot ignore the imbalances that ultimately make our force less effective than what the Nation needs. Kicking the can down the road will set up our successors for an almost impossible problem. We have to take the long view here.

I know these issues weigh heavily on the minds of our men and women in uniform and on their families. Our force is extraordinarily accepting of change. They are less understanding of uncertainty and piecemeal solutions. They want and they deserve predictability.

I have said before that we must be clear about what joint force can achieve, how quickly it can achieve it and for how long at what risk. To be clear, we do assume higher risk in some areas in this budget. This means that under certain circumstances, we could be limited by capability, capacity, or readiness in the conduct of an assigned mission, and these are the risks that we have to manage.

I support the QDR and this budget, but it is not without risks that I have conveyed in my assessment. I expect more difficult conventional fights. We must rely increasingly on allies and partners and our global responsibilities are currently undiminished and will have to be placed in balance. If sequester-level cuts return to 16 or we cannot make good on the promises inside the QDR, then the risks will grow and the options that we can provide the Nation will dramatically shrink. That is a gamble none of us should be willing to take because it is our soldiers, sailors, airmen, marines and coast guardsmen, America's sons and daughters, who will face tomorrow challenges with whatever strategy, structure, and resources we develop today. Our most sacred obligation is to make sure they are never sent into a fair fight, which is to say, they must remain the best trained, best led, best equipped force on the planet. That objective has been the fundamental guiding principle as this budget was prepared and is one to which the Joint Chiefs and I remain absolutely committed.

Mr. Chairman, members of this committee, thank you for your outstanding commitment to our men and women in uniform, and on their behalf, I stand ready to answer your questions.

[The prepared statement of General Dempsey follows:]

Chairman LEVIN. Thank you very much, General Dempsey.

Secretary Hale, thank you. Thank you for your service. We all feel that the comments you just heard from your bosses are very appropriate.

We are going to have a 7-minute round for our first round. We are all going to have to stick to the 7 minutes if we are all going get our time in by quarter to 1 or 1 o'clock. I think we can do it.

We have a series of stacked votes at 11:45. We are going to have to work through those votes with some of us leaving, coming back, and so forth. We are used to managing that kind of situation, but it may be a little trickier than usual this morning. But if we all stick to our 7 minutes, I think we can do it.

And your statements, of course, will be made part of the record.

Let me ask—I guess this would go to you, General Dempsey. The 2015 budget request includes, as you both have mentioned, numerous personnel-related proposals which are intended to slow the

growth of personnel costs. And you have mentioned pay raise below rate of inflation, 1-year pay freeze for general and flag officers, a reduction in the growth of the housing allowance, phased reduction in the subsidies for military commissaries, a series of changes to the TRICARE program, and of course, a reduction in the end strength of the Army particularly.

Now, Secretary Hagel, you mentioned that the savings achieved by these proposals would be used to invest in modernization and readiness. And my question I guess will go to General Dempsey.

Do the Joint Chiefs, including the Chief of the National Guard Bureau, agree to these personnel-related changes?

General DEMPSEY. Yes, Chairman. We spent about a year working comprehensively to come up with that package.

Chairman LEVIN. Thank you.

General DEMPSEY. And I just want to mention one other thing. Our goal here was to do this in a way that we could articulate our purpose to the force, which is, in fact, to put the money back into the services so they can apply it to their readiness accounts, but also we wanted to do it once. One of the things that the members of the armed forces in the field suggest is, look, whatever we got to do, let us do it once. Let us not do this every year.

Chairman LEVIN. Thank you.

Now, if Congress rejects those proposals, is it not true then we would have to find approximately \$31 billion that those proposals provide for readiness and modernization and we would have to find that \$31 billion if we restored those cuts somewhere else in the budget? Is that true, Secretary?

Secretary HAGEL. Unless the Comptroller has any other opinion on this, it is true, and we tried to articulate that in the statements.

Chairman LEVIN. Now, I want you to talk about the Opportunity Fund, so-called. This is a \$26 billion add to the caps that are in law, and it requires congressional action.

Do you both believe that the budget that you are requesting today, if approved by Congress without that additional \$26 billion in fiscal year 2015, would enable our military forces to fulfill its assigned missions to meet our national security strategy? So, first, if we do not add the \$26 billion, can we carry out the missions needed to achieve that strategy?

Secretary HAGEL. We can fulfill our national security missions, but it will come at higher risks.

Chairman LEVIN. Is it an acceptable risk? Is it a risk you can manage, to use the kind of terminology which you used here this morning?

Secretary HAGEL. Well, we lay out those risks, Mr. Chairman, as to what we would have to do, and they are pretty specific. And you mentioned some of them in your statement.

Chairman LEVIN. And how soon then will you be providing us with a specific list, item by item, of what would be funded with the additional \$26 billion, if you were to get it?

Secretary HAGEL. We have now a general breakdown because I asked the chiefs, with the Chairman, to give me their list of how they would use that money. We have some pretty good indications now and we provide that. I do not know if you want to—the Comptroller may want to get into that.

Mr. HALE. We will have it next week, the line item detail on the Opportunity, Growth, and Security part.

Secretary HAGEL. But, Mr. Chairman, I would just add the bulk of that goes to, I think you know, modernization and readiness, and then I think the last 10 percent of whatever you break it out in general 100 percent of the \$26 billion, would be to try to recapture a lot of the deferred maintenance over the last 2 or 3 years. But it is readiness and modernization.

Chairman LEVIN. But we will get the detailed list in a week.

Secretary HAGEL. Yes.

Chairman LEVIN. Now, the Future Years Defense Plan, the FYDP, assumes that the statutory caps are going to be modified and that the Department will receive \$115 billion above sequestration levels for the 4 fiscal years after fiscal year 2015.

The Department told us and the public that if it gets that extra money, it would be able to retain 11 carriers, an Army active end strength of 440,000 or 450,000, and an Army National Guard end strength of 335,000. However, the budget documents that were submitted by the Department include the \$115 billion in the FYDP but still provide for only 10 carriers, an active end strength in the Army of 420,000, and a National Guard strength of 315,000 instead of what your statements have been, which is that with that additional FYDP money those numbers would be higher.

Now, my question is if you plan to spend the extra \$115 billion in that FYDP, as you request, to maintain the 11 carriers and a higher end strength for the active Army and Army National Guard, why is that not reflected in the budget documents?

Secretary HAGEL. The simple direct answer to the question—then if the Comptroller wants to go any deeper—the specific areas that you mentioned, which would be the 11th carrier, the force posture issue—we have got some time to make those decisions based on knowing with some certainty what kind of resources we are going to have.

Chairman LEVIN. But you said publicly that those—

Chairman LEVIN. But we have also said publicly in a letter I think yesterday—and the Comptroller talked about it in some of these briefings. And we lay this out, by the way, in our follow-up documentation too.

To answer your question, the specific reasons that we would then have to come back and make a decision planning for the worst, planning for the reality of the law, which is sequestration. But if that top line \$115 billion would be funded, then we would be able to have the 440,000–450,000, 11th carrier because these are commitments that have to be made in the longer term.

Chairman LEVIN. But your documents that we are going to get into relative to the FYDP show that the carriers would be retained at 11. Will they show the end strength would be kept at 440,000 or 450,000 for the Army? Will they show the 335,000 for the Guard or not?

Mr. HALE. No. They will show 420,000 and 10 carriers.

Mr. Chairman—

Chairman LEVIN. There is a problem.

Secretary HAGEL. No. I did not say the budget would reflect that. In explanation, I sent letters out yesterday or maybe it was earlier

in the week to the chiefs also noting all this for the record. So there is an explanation of why we are doing what we are doing to give our services the time they are going to need to adjust to this. As you know, you got an air wing that would come with a carrier. You got people. These are longer-term obligations. If we do not believe we are going to have the resources, Mr. Chairman, then we are not going to be able to—

Chairman LEVIN. I think there is a disconnect between the public comments and the budget documents, but I will leave it at that because my time is up.

Senator Inhofe.

Senator INOFF. Mr. Chairman or Secretary Hagel, the QDR that came out today spends a lot of time explaining the risks associated with it. You know I applaud your decision to discuss risk because very often they do not since risk means lives, and I think we all understand that. I think it discusses risk so much because this administration has put our national security at more risk than I have seen in the years that I have been here.

The Director of National Intelligence, James Clapper, agrees. He said on February 12th, quote, looking back over my now more than a half century in intelligence, I have not experienced a time when we have been beset by more crises and threats around the globe. And despite the fact that the world is becoming more dangerous, this risk is growing as a direct result of a dismantling of our defense over the last 5 years.

Admiral Winnefield told this committee, quote, 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.

General Dempsey, I appreciate your assessment backing the QDR and I could not agree with you more when you said, when we commit America's sons and daughters into combat, we must ensure that they are the best trained, best equipped, and best led fighting force on the planet. Unfortunately, that is not a certainty anymore when you said in the QDR, our aging combat systems are increasingly vulnerable against adversaries who are modernizing and you discuss factors that diminish our present military advantage and complicate our ability to meet the ambitious strategic objectives.

The loss in the depth across the force could reduce our ability—I am quoting you further—that intimidate opponents from escalating in conflict. And I think that means that we will have more events like Ukraine.

I was in Georgia right before the Winter Olympics, and of course, Georgia goes right up into the area that Russia has confiscated from Georgia about 20 percent, goes right up to where the Winter Olympics were. And they were predicting there—and I am talking about the leaders in Georgia—that the same thing that was happening in Ukraine was going to happen there. So I see that this is serious.

If you look at the last two bars of the chart over here on this side, it shows that the entitlement benefits are going up again in this fiscal year that we are talking about now, and defense is going down at the same time. So the trend line, as I said in my opening statement, is going in the wrong direction.

Do either one of you want to comment on the continued advisability of increasing the entitlement programs as opposed to defense?

Secretary HAGEL. Senator Inhofe, my job, as you know, is the Defense Department budget, and that is what I am focused on. I have presented the reality of the budget—

Senator INOFE. Okay, I understand that because you are given that and then you are doing the best you can, as is General Dempsey, within the confines of the budget that you had to work with. Is that what you feel?

Secretary HAGEL. Well, let us start with the fact that we are confined by budget caps. That is the reality. It is the budget cap that the Congress agreed to that confines me, and I start from there. I have laid out—

Senator INOFE. That is fine. What I am talking about here, though, Mr. Secretary, is, is that advisable whether it has got budget caps or not?

But rather than to get into that in this limited time, I want to get into a couple other things because it goes beyond just the entitlement reform I referred to. Yes, that is very real up here.

But I have a CRS report that shows—and I have been working on this for quite some time—in the last 5 years between 2009 and 2014, the President has spent \$120 billion on the environmental agenda, mostly global warming, climate, and that type of thing. And I did a little bit of math. We were talking about the crisis we are in, and I have quoted so many people here from the intelligence community, from the defense community saying that this is a real serious crisis that we are in.

In that respect, if you were just to take the amount that was not authorized by Congress—and I am talking about the environmental agenda—you could actually buy 1,400 F-35s. And I think people need to understand that there is a price we are paying for all these agendas that have been rejected by Congress.

I applaud your honesty—and the American people do also, I think, Secretary Hagel—when you said American dominance on the seas, in the skies, and in space can no longer be taken for granted.

We hear from General Odierno. He said such reductions will not allow us to execute the 2012 Defense Strategic Guidance and will make it very difficult to conduct even one sustained major combat operation.

And, General Dempsey, you said we are putting our military on a path where the force is so degraded and so unready that it would be immoral to use force.

General Amos said we will have fewer forces arriving, less trained, arriving later to the fight. This is a formula for more American casualties. We are talking about American casualties, yes. That is how risk fits into this.

Frank Kendall, your Chief of Technology, Under Secretary Frank Kendall, said on the 3rd of January, we are cutting our budget substantially while some of the people we worry about are going in the opposite direction. We have 20 years since the end of the Cold War and sort of presumption that the United States—that we are technologically superior, militarily. I do not think that is a safe assumption anymore.

We have another chart that is over here. It is just kind of a reminder. I put one of these at the place of each member. It talks about the cuts and the fact that defense consumes 16 percent, you know, down from last year, 16 percent of the total budget and yet is responsible, on the top of that chart, for 50 percent of the cuts. And even when they talk about—and we have talked about it several times during the course of this presentation—that we are alleviating some \$26 billion to help the military, at the same time it is being held hostage because there is another \$30 billion—more than that—that will be giving the same relief to the domestic side.

Now, that is my 7 minutes. Is that fair?

Secretary HAGEL. Is your question is it fair?

Senator INOFE. That is my question.

Secretary HAGEL. Like I said, Senator, I have the responsibility for this budget. Every item you listed on your inventory of risks and problems, which we I think generally agree with, as we all do here, as you have noted the group that has made the comments that you quoted, all accurate—that is why we have come back up with an additional \$26 billion request. That is why the President of the United States has asked for an additional \$115 billion over the caps over the next 5 years.

Senator INOFE. Yes. But it is still disproportionate, domestic versus military. And when I say this, I know you folks are given a budget. You are given caps, and you have got to operate within those. I am talking about, to the American people, this does not look very realistic. I just think it needs to get in the record and articulated as to why we are in the situation we are in right now.

Secretary HAGEL. Well, the OMB Director I think is making a presentation this morning about the entire budget, and that probably would be the appropriate person to ask the question.

Senator INOFE. That is good.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator Inhofe.

Senator REED.

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

I first want to begin by thanking Secretary Hale for his distinguished service. And, Mr. Secretary and General Dempsey, thank you for your service.

General Dempsey, when you were looking at the force structure, can you give us an idea of the assumptions and the risks that you contemplated? And does this preclude us from a full spectrum of operations to do the force structure that you are operating under now or proposing to operate under?

General DEMPSEY. Well, at some level, Senator, those are two very different questions. The way we size the force is against what we believe to be an optimum amount of forward presence, rotational presence, and surge capability from the homeland, measured as well against combatant commander war plans. And so when we laid out this force against those activities—at the request of this committee, I might remind us, you asked us for many sessions to find that place where we think the risk becomes too high, and we see that. We can see that point, and it is called “sequestration.”

And the force we have got in this budget can meet the requirements of the Defense Security Guidance, which was the

foundational document on which the QDR was developed. And I think that as we have a discussion about what this force can do in that context, as I said, there is higher risk in certain areas. One of those is the conventional fights and particularly land forces which will take longer to generate. But that is a much longer conversation.

The short answer to your question is, yes, we have done that analysis.

Senator REED. Let me just follow up with a quick question with respect to land forces. Because you really have to operate on sort of a notion of a rapid deployment of initial forces, then the follow-on forces, the ratio between your Active Force and your Reserve components is based upon the fact that you have to generate forces fairly quickly and have sufficient active forces to get to the point where Reserve Forces cannot only be mobilized but effectively integrated and trained. Is that the concept that you—

General DEMPSEY. It is, Senator. This is about balancing the force such that we have a portion of it readily available, immediately available. You know, one of the other assertions in the QDR and elsewhere is that conflict will generally occur faster and in more unpredictable ways and with higher degrees of technology. And so we have to make sure we balance the active component to be the first responder and then rely upon the Reserves beyond that.

Senator REED. Thank you, General.

Mr. Secretary, Senator Inhofe brought up a very fundamental issue we are struggling with on the broader, and that is the commitments we have made particularly future generations and the resources we have available for not only the military but for education, for investment in current. There is not a precise comparison but an analogy to your proposal with respect to some of the health care programs in the military, some of the quality of life issues because you are battling a similar dynamic. Of course, let us recognize from the beginning these are all earned benefits through sacrifice and service to the Nation.

But if we do not accept or somehow accommodate your suggestions, the effect will be that you will have less resources for active forces who have to go in harm's way. It affects their training. It affects the platforms that they use. It affects everything. And that is the fundamental tradeoff that you are trying to negotiate at this moment. Is that fair?

Secretary HAGEL. Senator, it is fair, and it is part of the overall scope of the balance. I think any strategy, any perspective on not just short-term but more importantly the long-term responsibilities have to include the balance that the Chairman talked about, which we spent a lot of time on.

And your specific point about preparing our preparing our forces—I noted it in my statement. It would be the most irresponsible act of a commander in chief or a secretary of defense or any leader to send men and women into war not prepared, not equipped, not best led, not best trained. That is part of the balance. So we have to assure that that will continue. We have that today, but there is no assurance we are going to continue to have it. As a matter of fact, we will see degradation of that. But at the same

time, the fair compensation, as you say earned pay, earned compensation, earned benefits—that has to be balanced as well.

So what we are trying to do—and we think we have come up with a pretty reasonable balance. And it is subject to questions. It should be. We should probe this. There might be better ways to do it. But as I noted in my statement, balance was a very significant part of how we came at this.

Senator REED. Let me ask General Dempsey. In your development, along with your colleagues, of these proposals with respect to the issue of benefits going forward, existing benefits, you I presume have had a dialogue with not only the active duty personnel but the retired forces that you have had sort of a—you know, they are the equity holders. You have talked to them about these issues.

Do you feel as if you have done an effective job of explaining to them, and have they responded in terms of recognition of these issues and a sense, as you point out, at least if we do this once and we do it right, it is appropriate and acceptable?

General DEMPSEY. Well, I cannot guarantee that there will be universal acclamation of this proposal. I will tell you that—and I should have introduced him earlier—my senior enlisted advisor, Sergeant Major Bryan Battaglia, is sitting behind me. And we have had the senior enlisted of each service involved throughout the process. And we have also reached out to the veterans support organizations and military support organizations. Some of them acknowledge certain parts of it. I do not know that any of them acknowledge all of it. But we have done our best.

Senator REED. And I presume that is going to be a continuing dialogue.

General DEMPSEY. It must be. That is right.

Senator REED. Because they have not only an interest here, but they have the credibility and legitimacy to be integral parts of whatever we do.

General DEMPSEY. Right.

Senator REED. And that is recognized by you and the Secretary I presume.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you so much, Senator Reed.

Senator McCain.

Senator MCCAIN. Thank you, Mr. Chairman.

Thank you, Mr. Secretary, General Dempsey, and thank you, Secretary Hale for your outstanding service.

Mr. Secretary, you come here with a budget today, and I very much appreciate your comments that you are doing your best under the budget constraints that you are forced to abide by. And certainly some of the challenges you face have been bred by sequestration, as Senator Inhofe pointed out.

But I do not think it is in dispute, is it, that this budget will give us the smallest Army since prior to World War II, the smallest Navy since sometime after World War I, and the smallest Air Force in that period of time. Admittedly, more capable, but certainly the smallest. Would you agree with that?

Secretary HAGEL. Yes, Senator, if you look at just the straight numbers, but there is more to it than that, as you know. It is capability.

Senator MCCAIN. I am sure there is much more to it. There is also a thing such as presence and others. But those are not disputable.

And I must say, Mr. Secretary, your timing is exquisite. You are coming over here with a budget that we agree on, at least on the numbers, at a time when the world is probably more unsettled than it has been since the end of World War II. The invasion of Crimea, Geneva 2 collapse, Iran negotiations stalled, the South China Sea, China more and more aggressive. North Korea fired missiles in the last few days. Syria has now turned into a regional conflict, and the list goes on. And today or yesterday, China announced its biggest rise in military spending in 3 years. On Wednesday, they increased their defense budget by 12.2 percent.

I am sure that she was appropriately disciplined, but apparently Katrina McFarland, the Assistant Secretary of Defense for Acquisition, told a Washington, DC, crowd today, quote, right now the pivot is being looked at again because, candidly, it cannot happen. Then she later, obviously, was disciplined and retracted those remarks.

So you come here with a budget that constrains us in a way which is unprecedented since previous times, my point, Mr. Secretary. And there are unnamed quotes out of the Pentagon. No more land wars. No more land wars. That is why we are reducing our forces to the degree we are. We have seen that movie before, Mr. Secretary. In fact, you and I have. We saw it after World War II, and we were not prepared for Korea. We saw it after Korea, and we were not ready for Vietnam. And after Vietnam, we had a Chief of Staff of the Army who came over here and told this committee we had a hollow Army. And now we are going through the same, ignoring the lessons of history again. And it is really a shame.

Which brings me to Crimea. It is widely reported in the media today that our intelligence sources did not predict that the Russian invasion would take place. Was that true with your intelligence sources as well?

Secretary HAGEL. Well, I am not going to get into intelligence matters here in an open hearing, Senator.

Senator MCCAIN. I am not asking for intelligence matters. I just want to know whether you were made aware of this threat that it was going to take place. I do not know how classified that would be.

Secretary HAGEL. Senator, as I noted, I was at NATO last week, and there was a NATO Ukraine commission meeting. And early last week, we were made well aware of this threat.

Senator MCCAIN. So despite all the media reports, our intelligence sources predicted that Lavrov would invade Crimea.

Secretary HAGEL. As I said, I do not get into the specifics in open hearing. But if you would like a briefing of your staff on the specifics of your question—

Senator MCCAIN. Well, how about commenting on news reports that say that?

Secretary HAGEL. Well, news reports are news reports, but that is not real intelligence, though.

Senator MCCAIN. In other words, the fact is, Mr. Secretary, it was not predicted by our intelligence and that has already been

well known, which is another massive failure because of our misreading, total misreading, of the intentions of Vladimir Putin.

Secretary HAGEL. Senator, I said that we were—

Senator MCCAIN. Let me finish my statement, please, and that is that Mr. Putin was not going to see Sevastopol go into hands of a government that was not his client. And that is just a fact.

Now, please, go ahead.

Secretary HAGEL. I said that early last week, we were well aware of the threats. When I was in NATO, again there was a meeting specifically about the threat with the NATO Ukraine commission. I have been speaking over the past couple of weeks—more than that—to the Ukraine defense ministers. The two I spoke to are now gone. So this was not sudden or new that we did not know what was going on.

Senator MCCAIN. The President and the Secretary of State have said this is not old East-West. This is not Cold War rhetoric. Do you agree with that statement, Cold War actions, when Mr. Putin denies that there are troops in Russia, when Mr. Lavrov says today that they cannot withdraw Russian troops because there are no Russian troops in Crimea? Does that have some echoes to you of Cold War?

Secretary HAGEL. Well, I think Secretary Kerry addressed this pretty clearly in his comments specifically about your point about no evidence, no credible—

Senator MCCAIN. I was asking for your view, sir.

Secretary HAGEL. I agree with Secretary Kerry.

Senator MCCAIN. Which is?

Secretary HAGEL. He laid it all out about we do not accept anything that President Putin said as fact about why they had to protect the so-called ethnic minority in Crimea and the other reasons that the Russians have laid out as to why they took the action they did. I thought Secretary Kerry did a good job of directing his comments to President Putin's remarks, and I agree with what Secretary Kerry said.

Senator MCCAIN. I thank you, Mr. Chairman.

Chairman LEVIN. Thank you very much, Senator McCain.

Senator Manchin.

Senator MANCHIN. First of all, I want to thank you, all of you, for your service and, next of all, Mr. Secretary, for making a valid effort of putting a budget together that was done exactly the way it was asked to be done. What would the new Department of Defense look like and why should it look differently than what it does today? I think you did that. We have to see now if we can all work within the recommendations that you put forth. So I thank you for that.

As far as the Defense Department being under extreme budgetary pressures to do more with less, we understand that, but they have always risen to that occasion basically, and I expect the same will be done.

First, Secretary Hagel, I appreciate those efforts. The defense budget review highlights a number of areas, the foreign cost savings. I am concerned about the plans for the 2016 fiscal year and beyond. They appear to pay little credence to the realities of sequestration. I hope that sequestration is going to go away, and I

know you talked about that briefly. If it does not, are you asking and do you need that flexibility that was not in the previous sequestering order?

Secretary HAGEL. Thank you, Senator. We do need that, as I have noted in my opening remarks, and I go into much greater detail in my written statement.

And I just would add one other thing. I appreciate your comments about trying to prioritize budgets. Governors know probably more about this than anyone. So thank you.

Senator MANCHIN. Well, and next of all, let me talk about—and this is to General Dempsey or any of you who want to, but probably General Dempsey, more you. I have had a concern about Afghanistan since I arrived here 3 years ago. I am not of the belief that 10,000 troops being left in Afghanistan will change the direction. I have always said if money or military might would have changed that part of the world, we would have done it by now.

But knowing where we are with Karzai now, knowing the unknown as far as the elections coming up, how long that may be, the ratifying or what direction we are going, do you truly have a plan for pulling out of Afghanistan? I know it has been said, and the President has given the order to move in that direction. Are we moving in that direction? And from that standpoint, what will happen with Bagram Air Force Base?

General DEMPSEY. If I could, Senator, first I just want to speak briefly about—you mentioned if we go back to sequestration in 2016, does that mean we need more flexibility. Absolutely, but flexibility alone will not answer any problems.

Senator MANCHIN. Okay. The only thing I know is the draconian way it was being administered was not fair to anybody.

General DEMPSEY. No, no. That is absolutely right. But the depth of it is a problem.

Senator MANCHIN. I understand that.

General DEMPSEY. On Afghanistan, as you know, we are there as part of a NATO mission, and I always remind us of that. And they have a plan called Resolute Support for 2015 and beyond that accomplishes train, advise, assist, ministerial development, and so forth. And the NATO plan calls for 8,000 to 12,000, and that is our recommendation at this point. That includes a regional approach, the hub in Kabul Bagram, and then a modest presence in the four corners of the country in particular because during this period, after their election, there will be even a period of greater instability, if that is possible, and we think it prudent to do that.

In the meantime, we have had this challenge of getting the bilateral security agreement and have been directed to make other plans. And so we have got options between roughly 10,000 and 0, and those options are being refined because every day that goes by, some of them become either more or less likely. In the meantime, our retrograde activities are ongoing. Those will not be a limiting factor or in any way box in our elected officials from making a decision. Retrograde is on path.

And to your question on Bagram, I think that were we to considerably shrink our presence in Afghanistan, Bagram would be a key node in that force structure, whatever size it becomes.

Senator MANCHIN. Secretary Hagel, my concern—and I met with Lieutenant General John Campbell last week concerning the repositioning of the Army as the budget was put forth. My concern was with the National Guard. As you know, again as a former Governor, the Guard is very crucial to all of our States, but it is also crucial to the backup in defense. It is not the Guard that we knew growing up. It is a different Guard today.

With that being said, I just feel the Guard can be used in a much more cost-saving and efficient manner, not having the full cost of a full-time military but a backup if needed to bring forward rather than downsizing the Guard too because I think both of them—it was recommended a reduction.

Secretary HAGEL. Senator, both were recommended for some reductions, although the recommendations we made for the Guard and Reserve was significantly less than the active duty, active force. But start with this. The importance, the relevance of the Guard and Reserve will continue. There is no question about that, especially with the accomplishments and what they have achieved over the last 13 years. As you noted, the Guard today is a different Guard. And we do not want to lose that, absolutely. But their mission is different than the active duty.

And it goes back to the question that Senator Reed asked me about balance. We have tried to balance this, Senator, with all the forces. What are we going to need? How are we going to best merge and value-add all of our forces together? And the Guard and Reserves are a critical component of that.

Senator MANCHIN. My time is running out.

The amount of contractors, private contractors, that we have, which are mostly ex-military anyway, but at a much higher cost. I have been very critical about the amount of money and effort that we put forth on contractors and it should be back into our military. And I know you are all looking at the long-term costs as far as the legacy costs of that also. But I believe as a Nation we are much stronger with those people in uniform than we are with the contractors that we are using. And I know those cost savings—you all believe that.

I cannot, for the life of me, understand why I had so much opposition of reducing—and the Senators that helped us—trying to reduce the capital on contractor salaries. We thought maybe the same as the Vice President might be adequate enough at \$230,000, but they still believe it needs to be around \$500,000.

Secretary HAGEL. Well, I think, first, the directive that we have gotten from the Congress on this that came out of this committee has been very clear. And I think we have made very significant progress. We are not where we need to be yet, but we are making tremendous progress bringing that element of our workforce down, controls, restrictions. So we got it. We are doing it. Thank you.

Senator MANCHIN. I appreciate it, and thank you all again for your service. I appreciate it very much.

My time is up.

Chairman LEVIN. Thank you, Senator Manchin.

Senator Chambliss.

Senator CHAMBLISS. Thanks, Mr. Chairman.

General Dempsey, the JSTARS Airborne Battle Management Command and Control, Intelligence, Surveillance, and Reconnaissance Platform provides theater commanders, as you well know, with vital ground surveillance to support targeting and attack positions. The Air Force Chief of Staff, General Welch, has made it very clear that the Air Force's top three acquisition priorities are the F-35, the KC-46, and then the long range strike bomber. But right behind that is the replacement of the Joint STARS as a top priority.

Now, the budget proposal calls for a 40 percent reduction in Joint STARS presumably to fund the acquisition of a replacement platform. Can we meet BMC2 requirements with this proposed reduction, and what is the proposal to replace this platform?

General DEMPSEY. The proposal to replace it—that is to say, the next generation of JSTARS capability—is a question I will have to go back and get with the Chief of Staff of the Air Force.

But I can tell you—you asked the right question. Can we meet current demands with the current inventory of that platform? The answer is it is very difficult. It is one of our high demand, low density platforms. Oftentimes, we are faced with either employing it, for example, on the Korean peninsula or in north Africa. Those are the tradeoffs we make. And so what we try to do is to meet combatant commanders at the times when they need them the most, but it is hard to maintain a persistent presence with JSTARS globally. We have other assets that fill in the gaps, but JSTARS is a very valuable asset.

Senator CHAMBLISS. The proposed replacement, so you will know, is with a business jet which, frankly, makes sense because that 707 platform was old when we bought it and it has gotten older over the years. But I tell you the folks under you in the Army break out into big smiles and their eyes light up when I talk to them about Joint STARS in theater. And we simply have no replacement weapons system that I know about. And the number in the budget is far from adequate to even begin thinking about replacement.

So I would urge you—and I know General Welch is feeling about this platform. I would just urge you to let us rethink this and think about what we are going to do long-term. Does it need to be replaced? I agree with that. I think it is time. The other options are not that concrete and not that positive. So as you think about that, I look forward to engaging with you.

Second, in defense of arbitrarily standing down the entire fleet of the A-10 aircraft, the Air Force has emphasized that the A-10's sole usefulness, being that of close air support, discounting its capabilities in CSAR and forward air control roles. While there are other assets that can perform the close air support mission, none can do so with the same maneuverability, loiter time, and targeting capability. And I think it is wishful thinking to believe that pilots of those other platforms will receive the training necessary to be proficient in close air support.

Does it not make sense, if we are going to phase out the A-10—and again, I agree it is an old platform, but it has done such a great job in the recent theaters that we have been engaged in. It has just been absolutely necessary to have it. So does it not make more sense that as we phase in the F-35, that that is the point

in time in which we phase out the A-10 rather than just arbitrarily cutting off the A-10? In the case, for example, at Moody Air Force Base in my State, we are going to take those airplanes out in 2015 and 2016, but yet, we are not scheduled to even think about another tranche of F-35s being designated until about 2022 or 2024. So my question is, does it not make more sense to phase those out as we phase in the F-35?

General DEMPSEY. Well, Senator, I am probably one of the few people in the room that has actually had an A-10 come to my rescue. So you do not to convince me that it has been an extraordinarily valuable tool on the battlefield.

What you are seeing play out here is some of the very difficult budget decisions we have got to make. In the Air Force, the Chief of Staff is trying to reduce the number of airframes so that the logistics tail, the infrastructure tail is more affordable. In the Army, I am sure at some point we are going to have a conversation about going from seven different rotary wing platforms down to four. It is the kind of decision we actually have to make with the current budget pressure. So I do support both the Chief of Staff of the Air Force and the Chief of Staff of the Army on their decisions.

Senator CHAMBLISS. Secretary Hagel, an issue that always raises concerns with military families is our commissaries. You know, they are a core benefit. They contribute greatly to recruitment and retention, even though I am one of those who thinks that you may get just as good a deal at some other retail outlets around the country that may not be as accessible, but actually the price may be better if you listen to Senator Coburn particularly. But you are going to be reducing the \$1.4 billion in subsidy we pay by \$1 billion over 3 years. At the same time, you are going to encourage the commissaries to act more like a business. It makes sense. I agree with that.

But we also have a study that is going to be forthcoming in the early part of 2015 relative to the commissaries. Now, Senator Warner and I introduced a bill yesterday to leave the level of funding in place until that study comes back. Does it not make more sense to see what that study recommends, which frankly may recommend the elimination of commissaries? I do not know what they may recommend. But does it not make more sense to see what that study says before we go about reducing the subsidy in a significant way?

Secretary HAGEL. Senator, are you referring to the Pay and Compensation and Retirement Commission that is looking at all this?

Senator CHAMBLISS. Yes.

Secretary HAGEL. Well, that is an important question, and we did look at that question, that issue. We did not come forward with retirement suggestions, recommendations based on let us wait till the commission comes back.

On the other pay and compensation issues that we did come forward with on the recommendations, commissaries being one of them, it was the feeling of our senior leaders and significant analysis that we knew enough about where we thought we were going to have to eventually go with commissaries and some of the other decisions that we made that we felt we could make the decision now.

You know we have got about 250 commissaries around the world, and we are exempting, as you know, all overseas commissaries and the remote areas of the United States. We think that if you phase out that subsidy over that period of time that we are prescribing, that not unlike the PXs, the way they are funded and self-sustained, it makes sense and still very good deals will be given, should be given to our service men and women. So it was a consideration that we did make as part of the overall set of recommendations.

Chairman LEVIN. Thank you, Senator Chambliss.

Senator Hagan.

Senator HAGAN. Thank you, Mr. Chairman.

And welcome, gentlemen. Thank you for being here.

Before I start with questions, I want to address an issue that I learned about just yesterday. Proposals in this budget would result in the inactivation of the Air Force's 440th Airlift Wing from Pope Airfield at Fort Bragg in North Carolina, and with the 440th Airlift Wing inactivated, there would be no Air Force planes stationed at Pope Airfield. I strongly disagree with this decision, and that would adversely affect the readiness of troops at Fort Bragg.

The 440th provides critical support to the 82nd Airborne Division and then all the other major units that we have at Fort Bragg. This support includes 23 percent of the total airlift for Fort Bragg's paratroopers and training missions.

So I just wanted to reiterate my strong disapproval of this recommendation to inactivate the 440th Airlift Wing.

But I want to go to my questions now. Secretary Hagel, last week I helped to lead a bipartisan group of 51 Members of Congress in writing to you about our concerns over TRICARE's sudden change in reimbursement policy for critical medical tests. As you consider your response to that letter, I want you to think about the following two real examples I want to describe to you. These examples are real cases. It applies to servicemembers, families, and retirees that will be affected by TRICARE's decision to stop reimbursement.

The first example. Prior to January 1, 2013, an expecting active duty military family was tested and both were found to be carriers of the cystic fibrosis gene. This testing was covered by TRICARE at that time, and this was prior to January 1st. Based on these findings, the delivery of this couple's child was moved to a hospital with a neonatal intensive care facility. The baby was born in that setting. They were able to address a life-threatening complication from cystic fibrosis immediately.

If these circumstances were to occur today, these same cystic fibrosis tests would not be covered by TRICARE, and if not performed, the baby might have been born in an inappropriate delivery setting. That is the first example.

The second one. A military retiree is in remission from leukemia. His civilian oncologist monitors special blood tests for him every 110 days. This test is considered the most sensitive test available to track this type of cancer. His oncologist has told him that the oncologist would consider it malpractice if he did not use this test to monitor and to treat his cancer. The alternative covered test is more expensive and an invasive bone marrow biopsy.

Last summer, this individual received a bill for over \$1,000 for the blood test because TRICARE no longer covered it. While appealing the charge to TRICARE, he learned that the test would have been covered if it had been ordered through a military treatment facility. So we are showing sort of the dichotomy as to who gets to have TRICARE cover this test. These tests truly provide useful information to help physicians determine the best course of treatment for their patients and are widely considered by the medical community to be the normal standard of care.

TRICARE needs to move quickly and reverse this decision so that those who have sacrificed so much for our country are not forced to pay out of pocket or forego these tests altogether.

Secretary Hagel, I just wanted to give you that background and ask that will you promptly respond back so that we can work together to fix this problem?

Secretary HAGEL. Of course, I will, Senator. I am not aware of the specifics of what you are talking about. We will take all that. Our staff will be in touch with your staff this afternoon to get the specifics and details, and we will find out.

Senator HAGAN. Great. Thank you. That is why I wanted to give you those two real-life examples of how this really does impact current military men and women.

As part of the fiscal year 2015 budget request, the Department is laying out a number of proposals that would negatively affect military compensation. While I understand the significant fiscal challenges that the Department faces, we just cannot seek to balance the budget on the backs of our servicemembers. These proposals include a lower pay raise, increased out-of-pocket costs for housing, lower savings at the commissaries, and increased TRICARE fees.

General Dempsey, I am particularly concerned about the combined impact of all of these benefit cuts. How do you see these impacting our servicemembers, especially our younger members that are enlisted with families?

General DEMPSEY. Thanks, Senator. First of all, I mentioned that we spent every bit of a year working on this package, and we have got any number of programs and data management instruments that can lay out exactly what the impact is. The two cases we use generally are an E6 at 12 years and a lieutenant colonel a little bit further in his career, and then we project that out to the 30-year point. And we can certainly provide you that information. But we think that this is a reasonable approach to getting pay, compensation, health care back in balance.

By the way, just on the point of—it pains me to hear the characterization of balancing the budget on the backs of our service men and women. You know, this weighs heavily on all of us. The fact is that the manpower costs can be anywhere from a third to a half of our budget, and we are trying to find about 10 percent of what we need to balance the budget out of that account and 90 percent of what we need out of the rest of the budget. So we have been extraordinarily careful not to take some kind of templated approach to this. It has been very carefully managed.

Senator HAGAN. Thank you for your comments.

Secretary Hagel, has the Department fully considered the potential impact that these cuts will have to recruitment and to retention—recruitment and retirement? And with the Military Compensation and Retirement Modernization Commission set to release their findings in less than a year, does it make sense to perhaps make such across-the-board cuts before we actually see the results of that report?

Secretary HAGEL. Senator, as I answered Senator Chambliss' question on this, we did take into consideration all these different scenarios, possibilities. I think the Chairman laid it out pretty clearly, not just the balance but the responsibility we have to our men and women in uniform, the commitment we made to them, their families, their future. That is the priority. And I think we have come up with a set of recommendations that is balanced. We slow the growth of increases, as I laid out in my opening statement some of the specifics of that.

We did not do this unilaterally, arbitrarily without the senior enlisted, without the chiefs, all our military leadership being involved. As a matter of fact, I took recommendations as the Secretary of Defense from the Chiefs and the Secretaries and Chairman Dempsey on many of these things.

But we know we cannot continue to sustain the kind of growth that we are on and still make certain that our men and women will be ready, are ready and equipped, especially in light of a number of points made here earlier this morning about emerging threats, emerging technologies. Some of our adversaries are developing pretty significant capabilities and technologies that we have to stay ahead of. And so that is part of the balance. But we did look at everything.

Mr. HALE. May I just briefly?

Secretary HAGEL. Yes.

Mr. HALE. The reason we need to move now is the budget caps are in place now, Senator Hagan. We have the information to go forward, and if we do not, then as has been said, we are going to have to cut training and maintenance and we do not want to do that.

Senator HAGAN. I thank all of you.

Secretary Hagel, you mentioned the emerging threats. I chair the Subcommittee on Emerging Threats, so I am very keenly aware of some of the issues and what we need to do there. But I know all of you certainly do take the best interests of our men and women who are serving at heart, and I appreciate your service. And I know you have a lot on your plate today. Thank you.

Chairman LEVIN. Thank you, Senator Hagan.

Senator Ayotte.

Senator AYOTTE. Thank you, Mr. Chairman. I want to thank our witnesses here for their service during certainly very challenging times for our country.

And I wanted to follow up, Chairman Dempsey, on some of the remarks that Senator Chambliss made. I am glad to hear you describe how you yourself were actually assisted by an A-10, and I think that story could be told many times particularly by those who serve on the ground on behalf of our Nation and our Army. In fact, General Odierno, as you know, came before the committee and de-

scribed the A-10 as the best close air support platform we have today. It has performed incredibly well in Iraq and Afghanistan, he said, and our soldiers have confidence in this system.

And I wanted to ask you. This is not the first time that—you know, in the past, even before the performances we have seen from the A-10 in particularly Iraq and continued in Afghanistan, that the Air Force has tried to actually eliminate this platform. Is it?

General DEMPSEY. No.

Senator AYOTTE. No. So we have been here before. And some of the biggest advocates for the platform have been your fellow soldiers who have had similar experiences with the A-10. Is that not right?

General DEMPSEY. Absolutely. I have said this before and I will say it again. I will tell you, Senator, what is different now is—we had some slack in our budget over the last 10 years. There is no more slack in it. The margins are just really very tight.

The A-10 is the ugliest, most beautiful aircraft on the planet.

Senator AYOTTE. I appreciate that. And let us talk about the slack because I understand the difficulties that you are all under in terms of the budget challenges. But it seems to me as we talk about values and priorities, the biggest values and priorities that I know we all share is to make sure that our men and women in uniform, who are served, have the best support and protection that they need.

Let me just say that I agree with what Senator Chambliss said, that the A-10 is not a single-purpose airplane.

But let us talk about what we know is its very important purpose, close air support. As I understand it, recently in a Wall Street Journal article, Air Force officials acknowledged, when this article discussed the elimination of the A-10, that getting rid of the A-10 could lead to higher deaths, longer battles, even defeat on the battlefield. This is from Air Force officials. And in fact, Major General Paul T. Johnson, the Air Force Director of Operational Capability Requirements, said there is a risk that attrition will be higher than it should be. That is a clever way of saying more people will get hurt and die and extreme risk is that you might not win.

So here is my concern to all of you and question. I understand the budget environment, but we are in the FYDP proposing—your proposal, Secretary Hagel, General Dempsey, is to eliminate and phase out the F-10 before we even we have an F-35A, which will perform presumably close air support, effective which will not be operational until 2021. You have it all phased out by the 19. And so, therefore, we have that gap there. To me, this of all the things when we talk about priorities, when we hear Air Force officials—and I have heard similar concerns from those on the ground—that lives will be at stake, why are we not preserving that priority over other priorities?

General DEMPSEY. If I could, if you do not mind, sir. Because I do not want leave it hanging in the air that I would take a decision or support a decision that would put our men and women at greater risk. I would not.

As you know, Senator, the close air support can be provided by F-15, F-16, F-18, and B-1 with a sniper pod. So there are other systems out there that can provide the capability.

Senator AYOTTE. We know that, General, but I will not get into the debate with you because I do not think you would disagree with me that the reattack times are much faster for the A-10 because of the low and slow ability. And so, therefore, if you are talking about 1 or 2 minutes on a reattack time, that can be the difference between life and death on the ground. So I understand that other platforms can certainly be part of this mission, but the question is, is it worth that time period for our men and women in uniform on a platform that has performed consistently well?

The other concern I have is that it seems almost like an assumption that we are not going to fight another ground war, and I know that Senator McCain asked you that. You do not share that assumption, I hope. I do not think any of us want to fight another ground war, but I do not think we can, obviously, go forward with that kind of assumption.

General DEMPSEY. No, I do not share that view at all.

By the way, one other point. You will be fortunate enough to have the Chief of Staff of the Air Force appear before you who happens to be an A-10 pilot. So I think maybe he will be able to—

Senator AYOTTE. I know, and I really hope he thinks back to his roots there. I appreciate that.

Let me just as you overall about the priorities of where we are with regard to defense spending right now and just share, I think, concerns you hear echoed across this committee. As I look at—I also serve on the Budget Committee as well—the President's proposed budget in fiscal year 2015, thinking about the threats we face around the world right now—and obviously, I know all of you have laid out in your testimony that this is a very dangerous time around the world with the threats that we face. The President's budget actually proposes in fiscal year 2015 a .9 percent reduction in defense, yet a 3.4 percent increase in non-defense spending. And so I just think as we look at this in terms of the threats we face around the world, that unfortunately we are not meeting—as we look at the threats and the foremost responsibility to defend the Nation as the ultimate priority that ensures that we can do and preserve everything else, including our freedom.

And then the other thing I wanted to get your commentary on is if you look at what we have spent on defense historically between 1946 and 2014, we have spent roughly 6 percent of our GDP on defense spending. Where we are headed, based on the President's proposed budget, is that in fiscal year 2014 it goes down to 3.4 percent of GDP. And as we go forward with this budget proposal, by 2024 we are down to 2.3 percent of our GDP on defense. Do you think that is going to be sufficient to defend this Nation?

Secretary HAGEL. Senator, let me go back to a couple points I made earlier. That is why, to start with, the President is requesting a \$115 billion increase over what the current law is for the next 5 years. I can tell you, I can assure you that this President of the United States puts the defense of this country as his highest priority. He knows that is his highest responsibility. He knows that he has the responsibility to fund the national security interests of this country, to carry out the security measures. And so I think the numbers are somewhat reflective of that commitment.

And I think too, if you go back—I will let the Comptroller, if it is okay, respond to this. But I think in the five budgets that this President has presented, they have been above what have been eventually the ultimate number that we received.

Senator AYOTTE. I know that my time is up.

Secretary HAGEL. So I do not think there is any question about this President's commitment to security of this country.

Senator AYOTTE. And I do not want to dispute you on it, but if the President's number one priority is protecting the Nation, why is it essentially almost a 1 percent decrease in 2015 for defense spending and a 3.4 increase for non-defense spending? So to me, that shows you where the priority is, not that there are not important priorities on non-defense, but as I look around at the threats in the world right now and if his number one priority is defending this Nation, his budget does not seem to reflect that priority.

Secretary HAGEL. Well, are you not on the Budget Committee?

Senator AYOTTE. I am. I am going there next.

Secretary HAGEL. Good. That is the right question there.

Senator AYOTTE. Good. I will ask it. Thank you.

Chairman LEVIN. Just to clarify one number before I call on Senator Shaheen, I understand that the \$115 billion more that is being requested for the FYDP is on top of the \$26 billion in year 1.

Secretary HAGEL. Yes, that is correct.

Chairman LEVIN. So it is a 4-year figure.

Secretary HAGEL. It is a 4-year figure.

Chairman LEVIN. Not a 5-year.

Secretary HAGEL. Thank you.

Chairman LEVIN. Thank you.

Senator Shaheen.

Senator SHAHEEN. Thank you, Mr. Chairman.

Secretary Hagel, General Dempsey, Mr. Hale, thank you all very much for your service and for being here this morning.

I would like to begin by echoing some of the concerns that many of my colleagues have already expressed that you all talked about in your testimony with respect to the provocative actions in the Ukraine by Russia and the challenges that means for us here in the United States and from the international community. I certainly hope that we will see action in this Senate and in Congress in the next few days, or at least in the next week, that will express bipartisan concern and send a very strong message to Putin and to Russia that the country is united and we think those actions are totally inappropriate and unacceptable within the international community and international law. So I hope that you all will continue to keep the committee informed about that issue in the coming weeks as challenges change, and things, as you have indicated, are changing there very rapidly.

You all have outlined—in many of the questions so far, people have talked about the increasing threats around the world, the significant crises we are facing throughout the world today, and the challenges that faces for our national security.

What I hear mostly from my constituents in New Hampshire is not really about those challenges. It is about what is happening to our men and women in uniform. It is about what is happening domestically in terms of our military and its footprint in the United

States. And obviously, I represent a State which shares the Portsmouth Naval Shipyard, and so that is a big issue for us that has the Pease National Guard Base and the 157th Air Refueling Wing.

So as I saw the budget that is being presented, one concern that I had was that there is still a request for another BRAC round in the future. As chair of the Readiness Subcommittee—and Senator Ayotte is my ranking member—I think we are very concerned about that. I certainly strongly disagree with another BRAC round at this time I think for a couple of reasons that we really need answers to before we can go any further on this discussion.

One is last year at our Readiness Subcommittee, I asked John Conger specifically about the timeline for the delivery of a report on our installations in Europe with respect to our infrastructure there. And while I know that is a sensitive issue right now, it seems to me if we are going to be making decisions about base closures here in the United States, we need to have a picture worldwide about what we are facing and that Europe is part of that picture.

Second, I do not think we have heard adequately about the cost of another BRAC round and how that would impact on our ability to save money over time. So we know that the last round cost about \$14 billion more than was anticipated. There have been a number of recommendations for how to do this in the future that have not yet been adopted by DOD.

So I wonder if you could speak, Secretary Hagel, to that concern and to the potential for us to be able to see a report on what is happening with our other infrastructure around the world, particularly in Europe.

Secretary HAGEL. Thank you.

First, Europe. We are, since 2000, I think down the road on our facilities closing in Europe by over 30 percent of where we started from. We can get you the specific numbers, but I think I am pretty accurate with that. This committee gave DOD some pretty clear direction on that. We are complying with that. We are continuing to explore all the options everywhere, particularly in Europe. But we will give you the specific numbers.

[The information referred to follows:]

[COMMITTEE INSERT]

Secretary HAGEL. On two or three of the other points that you made on the cost, I presume you are talking about the 2005 base closing—

Senator SHAHEEN. Yes.

Secretary HAGEL.—which as you, I am sure, know, the focus on that—and Chairman Levin knows this very well—was as much on reorganization as anything else. Mr. Hale, the Comptroller, can give you specific numbers. But we are generating considerable savings today—and we will in the out-years—from base closings. And if I recall, it is around \$12 billion—is that a year? I think a year on savings, which we can document. We can show you that.

The fact is, bottom line, Senator, that we cannot continue to afford to carry infrastructure that we do not need. I wish we could do it all. I wish we could keep every platform we have everywhere, but we cannot do it all. It does not make sense taking money away from infrastructure that we do not need that is not relevant. It

takes money away from what is relevant, our people and our modernization and our readiness.

So we think BRAC is a smart position to have. As you know, we have called for it again. We are going to continue to work through all this. I have got some options as Secretary of Defense in law, legal through a section in article 10 of reorganization and so on. But I just think we have to come at this, like I said and the Chairman said, from the beginning with a complete understanding of what our needs for the security of this country are and going to be and then the requirements in order to fulfill our missions to secure this Nation and our interests around the world. So that is how we are coming at it.

Senator SHAHEEN. I totally agree, Mr. Secretary. That is why I hope we will soon see the report on the European infrastructure consolidation because I think that is information that would be helpful to this committee.

Secretary HAGEL. If I might, Senator, I will ask the Comptroller if he wants anything to the report or anything I have said.

Mr. HALE. Another round of BRAC will be very different than 2005. It will be aimed at saving money. It will probably cost, roughly based on historical precedents, about \$6 billion. We will save \$2 billion a year in perpetuity. And if we do not do that, we are basically wasting \$2 billion a year. We need your help on this one.

Senator SHAHEEN. And do you have any information on when we might expect the report on the European infrastructure?

Mr. HALE. I do not know the exact date, but what I will say is we need to do both. And we will cut a lot of Europe and will continue to as it is appropriate, but we also know we have domestic infrastructure that is unneeded. We need to go after both. I know how hard this is, but I do not want to see us wasting money.

Senator SHAHEEN. And I appreciate that, but it would be helpful for us to have that information so we can help work with you on—

Mr. HALE. We will get you a date for the record.

Senator SHAHEEN. Thank you.

Chairman LEVIN. Senator Shaheen, thank you very much.

Senator FISCHER.

Senator FISCHER. Thank you, Mr. Chairman, and I thank the witnesses for all being here today.

First of all, I would like to say, Mr. Secretary, that I appreciate your comments that you made last month with regard to modernizing our nuclear capabilities and also with your attention that you have given the issues that we have with ICBMs. I do thank you for that and for prioritizing those.

In the President's speech in Berlin last year, he opened the door to additional reductions in nuclear forces, and since that time, we have heard numerous testimony and we have heard that from commanders that further reductions should only come as part of a negotiated agreement with Russia. Is that your view?

Secretary HAGEL. Yes.

Senator FISCHER. And, General Dempsey, do you agree with that?

General DEMPSEY. I do.

Senator FISCHER. And as I understand it, the Russians are not interested in further reductions at this time. Is that true as well, Mr. Secretary?

Secretary HAGEL. There are not any further conversations on this issue, as far as I know.

Senator FISCHER. And, General Dempsey, do you also agree with that?

General DEMPSEY. I do.

Senator FISCHER. So now we are talking about or planning any additional reductions whether it is going to be warheads or launchers. That is kind of premature, would you say? It is not really practical at this time?

Secretary HAGEL. Well, we continue to work to comply, as the Russians do, with the New START treaty, and that is our focus and that is what we are continuing to do.

Senator FISCHER. And would you agree with that, General Dempsey?

So then you are saying that any reductions in those warheads or launchers, any additional reductions—that is really premature?

Secretary HAGEL. Beyond the New START treaty?

Senator FISCHER. Right.

Secretary HAGEL. Yes.

Senator FISCHER. Thank you.

Also last week, Mr. Secretary, you announced force structure changes. And as you can imagine, a lot of us have heard about it, and we have heard about it not just from active military and Reserve, but also our National Guard members. Our Governors were here last week or the week before as well. What I heard was the perception out there that possibly the Guard really was not engaged in how this decision was made. Can you speak to that for us?

Secretary HAGEL. Yes. I met with the Governors Council when they were in town, as you may know, and our senior representatives spent most of the day with the Governors and their staffs. So that is first.

Second, just incidentally, I had lunch with Nebraska's Governor, and we talked about these issues, as well as others.

So the priority of the National Guard and Reserves in our force structure posture remains a critical part of this, as I have already noted, in our future, our national security, and we are planning for that. As you know, the National Guard has its representative as the chief who sits at the table. The Chairman of the Joint Chiefs convenes those meetings. And so the active participation and voice of the National Guard is very clearly heard on all matters. General Frank has been an important addition to all these issues, recognizing that he represents the National Guard—and we get that—but there was no leaving out the National Guard on any decision, recognizing there were differences ultimately. But make no mistake. The priority of the National Guard's and Reserve's future is critical to the interests of this country.

Senator FISCHER. So I can reassure my Guard at home that their views were heard. It was a collaborative proposal then.

Secretary HAGEL. General Grass is doing a very effective job representing them.

Senator FISCHER. Thank you.

Back to the Ukraine, everyone here has deep concerns with the situation there. Can you tell me what our goals are, what the goals are for the United States? What is our priority? Is our priority to return the Crimea to Ukraine? And how are we addressing what the priorities are for our country with regard to what is happening there?

Secretary HAGEL. Well, our objective, as the President has laid out and, I think as you know, what Secretary Kerry is doing is to de-escalate the tension, the crisis so that that gives us an environment where we can work through the current situation.

As I noted in my opening comments, a number of diplomatic/economic tracks are now in play. The President initiated those with our European partners, the UN, OSCE, NATO, the Budapest Partners that signed the 1994 Budapest agreement. I do not know what the status of that is today, but Secretary Kerry, as you know, was supposed to meet with Minister Lavrov today. Whether that has happened or not—these different tracks, diplomatic, economic, solve this problem diplomatically. We have interests. Of course, we do. And that is the goal. As you asked, what are we pursuing and what are we doing. I think it is the right approach, the responsible approach.

Senator FISCHER. So would you say our goal is to de-escalate tensions or to see the Russians removed from the Crimea.

Secretary HAGEL. Well, we have made clear our position. We have recognized the new government. We have said that the Russians—as you know, they have a basing agreement with Crimea—and that their troops should return to their barracks. There is a threshold of how many troops they can have in the Crimea. And this needs to be de-escalated where the tensions are down, the troops go back to their base, the new government is allowed to govern and prepare for the elections which, as you know, are set in May. That is the right approach.

The integrity, the sovereignty of Ukraine has been violated. We have made that very clear, and that is the issue and will be the issue until that is resolved.

Senator FISCHER. Thank you, Mr. Secretary. Thank you, Mr. Chairman.

Chairman LEVIN. I am going to call on Senator Ayotte just for a quick moment to clarify something, and then I will get to Senator Blumenthal.

Senator AYOTTE. Thank you, Mr. Chairman.

I want to correct the record. I had received the wrong numbers. So I suggested that the President's priorities, because there was an increase in non-defense spending versus defense spending with regard to fiscal year 2014 to 2015—that is not correct. And in fact, it is the reverse. There is a 1 percent reduction for defense and a 3.4 percent reduction for non-defense. So to the extent I suggested that their priorities were reversed for the President, that was incorrect based on the numbers, and I wanted to correct the record for that and any misimpression that was given as a result of that.

Secretary HAGEL. Senator, thank you very much.

Senator AYOTTE. Thank you.

Chairman LEVIN. Thank you so much, Senator Ayotte.

Senator Blumenthal.

Senator BLUMENTHAL. Thank you, Mr. Chairman.

Let me begin by joining my colleagues in thanking you, Mr. Secretary, General Dempsey, and Mr. Hale, for your extraordinary service and your focus on the strategic priorities, which I believe are the right ones for this Nation, for example, on the need for additional submarines at the rate of two per year in production, for the focus on air superiority in the Joint Strike Fighter, for the concentration on the needs to keep our National Guard and our reservist forces strong, and other strategic interests that have been the subject of questioning so far. And I could question about them as well.

But I want to focus for the moment on one man. He happens to be a resident of Connecticut, Conley Monk, who enlisted in the United States Marine Corps in November 1968 at the age of 20. He went to Parris Island, served in Vietnam from July until November 1969 where he was barraged by mortar fire, attacked by guerillas, gassed, subject to rifle fire. He received a high proficiency rating for his conduct and performance on the field and some months after leaving Vietnam, began to suffer from anxiety attacks, flashbacks, insomnia, symptoms that we now know are associated with post-traumatic stress, but of course, post-traumatic stress was not even diagnosed until 1980. He was involved in altercations, other incidents that led to his confinement to the brig, and he was given the choice to leave the military with an other than honorable discharge and he chose to do so.

That year, when he received that discharged, his condition was unrecognized but, of course, now would be recognized as such, thanks to the changes in policy. And I commend them and I know that, General Dempsey, you have been instrumental in achieving them. And, Secretary Hagel, thank you for endorsing them. But the fact is that there are thousands—we do not know how many—of men who were discharged with other than honorable status and have suffered the stigma and shame and loss of benefits. In fact, wounded twice, first on the battlefield and then in civilian life, first by post-traumatic stress and then by an other than honorable discharge which denied them medical treatment for the very wounds that they suffered, as well as employment benefits, housing, other VA benefits.

To be very blunt, Mr. Monk has sued you and your colleagues, as did John Shepard before him. I have been involved in supporting the legal action, which I hope can be avoided by your engaging on this issue. As it happens, you were very forthcoming in the confirmation hearings, Mr. Secretary, and agreed to review this situation. I am asking you now to commit to changing the system because Mr. Monk has waited for 18 months for the Board for Corrections of Naval Records. The Board of Corrections of Naval Records has not dealt with his application. He has begun a class action on behalf of himself, other organizations, and veterans. And this system really needs to be changed and overhauled. I would like your commitment that you will address this situation as soon as possible.

I supported you because of my confidence that you cared about veterans such as Mr. Monk, and the VA is sympathetic and sup-

portive of his situation but, obviously, cannot change his discharge. That is solely within your power. And I continue to be confident, by the way, in your commitment to our veterans and our troops. I continue to have tremendous respect and admiration for your record of service and your commitment to them. And this comment on my part is not by way of criticism. I know you have a lot of things on your mind and it has been a busy year, but I am asking for your commitment now.

Secretary HAGEL. Senator, thank you, and thank you for your generous comments.

You have my absolute commitment. As a matter of fact, I asked our general counsel yesterday about this lawsuit. I assume you are referring to the larger Vietnam Veterans of America.

Senator BLUMENTHAL. Exactly.

Secretary HAGEL. I took note of it. I asked our general counsel to get back to me this week on it. I will get into it. I will get the specifics—our staff will get the specifics on Mr. Monk from your staff. But I am already addressing the larger issue and taking a look at it, and I will do it personally.

Senator BLUMENTHAL. And if I could ask, since I am going to be running out of time, for the general counsel to contact me and perhaps brief me further on what steps you are preparing to take.

Secretary HAGEL. He will. Thank you.

Senator BLUMENTHAL. Thank you.

Let me just briefly deal with the interoperability of medical electronic records for the DOD and the VA. I know this subject also has been on your mind. Could you update me as to what can be done as soon as possible not only to make this system interoperable but also to, in effect, integrate it, make it seamless, and truly serve the medical interests of our veterans, as well as our active duty members?

Secretary HAGEL. As you may know, Senator, when I went to the Pentagon a year ago, this was a high priority, and I restructured the entire system within DOD because I became quickly frustrated, like I think everyone has, that we were not making progress, should have been making progress. We all spent a lot of money on this. So I essentially put it under the direction of the Under Secretary of Defense, Frank Kendall, for Acquisitions. We brought in a new team a few months ago. That new team has been briefing the Hill constantly, particularly the Veterans Affairs Committee in the House and the Senate. We have gone out now to the private sector on RFPs. We are going to have an interoperable system. We work very closely with the VA. I have DOD personnel at DOD and have had for months working with them on the transition of records, the seamlessness. This is aside from this particular project. We have got DOD personnel out in the State of Washington, assigned out there to the VA. Secretary Shinseki and I work very close on this.

We are going to get there. That is the goal. We will attain that. We will be putting an RFP out in the next couple of months, this year, of course, but sooner rather than later. We have had three different industry meetings. We have asked for those RFPs. They are out. We have gotten the response, and we want to make sure that we have got an interoperable system with the VA but also the

private sector as well. So we have computerized now the health care records, but we have got some other things that we need to do as well. So I get it. We are doing it. And if your staff would like a specific briefing on this, we can do that.

Senator BLUMENTHAL. I was just going to ask you whether that would be possible, and I would appreciate it.

My time has expired, but I would just like to say when the general counsel contacts me about the Vietnam veteran PTS situation, keep in mind I am not asking about only Mr. Monk. I am asking about the literally thousands of others who suffer from PTS, a condition that was undiagnosed until 1980, and many of them still suffer the shame and stigma of an other than honorable discharge, which in my view should be corrected so that they can have the benefits of having served our Nation.

Secretary HAGEL. I understand that and I know your long record on this. So thank you.

Senator BLUMENTHAL. Thank you.

Chairman LEVIN. On that last item, it is a critically important item that Senator Blumenthal has been raising. In addition to directly reporting to him of what your decision is relative to that matter, would you let the committee know? And I will share that with all the members of the committee. Senator Blumenthal has touched the issue which is very, very significant and I think strikes a chord with all of us.

Secretary HAGEL. Yes, I will.

Chairman LEVIN. Thank you.

Senator Graham.

Senator GRAHAM. Thank you, Mr. Chairman.

And thank you all for your service.

We will try to get through a lot of ground here.

The 65 detainees that were released from Parwan Prison by the Karzai Government—I want to thank General Dempsey and Secretary Hagel for speaking out strongly and supporting General Dunford. I know, Secretary Hagel, you have been intimately involved in this issue.

Do both of you believe it would help if the Congress spoke on this issue about the consequences to our force and to the Afghan of continued release of detainees of this nature?

Secretary HAGEL. Senator, I do think it would be very helpful. You probably understand it as well as anybody in this body for reasons we know. And I appreciate your leadership, as I have told you and as I have said publicly. But the Congress' voice on this would be very important because this is a huge threat to our people.

Senator GRAHAM. And I worry about more to come in the last hours of the Karzai administration. So Senator Levin and myself have a bipartisan resolution condemning these actions and threatening to cut off economic assistance if they continue. So I would like to urge my colleagues to find a way to get that passed as soon as possible. So I do want to thank you both there.

Sequestration was not your idea, was it, Secretary Hagel?

Secretary HAGEL. No. Let the record show.

Senator GRAHAM. Nor was it yours, General Dempsey.

General DEMPSEY. No, Senator, it was not.

Senator GRAHAM. Whatever differences we may have, the problem that we are discussing was created by the Congress and the White House. And please do not misunderstand what is going on here. The military has never suggested this road map we have set out for them. It was part of a Super Committee punishment clause, and here we are. So I just want to let everybody know that you did not create this problem. You are going to have to help us solve it and live with it.

But having said, we will talk about some things about the budget. When it comes to reforming personnel cost, dealing with personnel cost, that is a must no matter how much money you have in the budget. Do you agree with me, General Dempsey?

General DEMPSEY. I do, Senator. There are some things we should do, sequestration aside, and that is one of them.

Senator GRAHAM. And I agree. I want to be generous to our military men and women. I want TRICARE to be a great deal, but a sustainable deal. It is on the path, Mr. Hale, of being unsustainable, is it not, TRICARE growth?

Mr. HALE. I would rather put it that if we can slow the growth there, we can spend the money where we need it more.

Senator GRAHAM. Well, the problem is that as it grows, it crowds out the rest of the budget. We have not had a premium increase since 1995. Is that correct?

Mr. HALE. Well, actually a couple of years ago, you did allow some modest fee increases in TRICARE Prime.

Senator GRAHAM. Structurally it has not changed much.

Mr. HALE. That is correct.

Senator GRAHAM. So I want to compliment you for putting all these tough issues on the table. Whether or not I agree with each proposal, I hope the Congress will back you up as to how we sit down and look at future retirement benefits, grandfather everybody, but whether or not you should be able to retire at half pay for the rest of your life when you are 42 needs to be put on the table. That is why I am waiting on the commission when it comes to TRICARE reforms, when it comes to looking at everything, including commissaries. Count me in on reforming the military. Count me out when it comes to gutting the military.

So with that understanding, I would like to talk a little bit about our budget here. Mr. Hale, what percentage of GDP are we spending on our national defense in this budget?

Mr. HALE. In 2015, it will be about 3.2 percent for DOD.

Senator GRAHAM. Historically in times of peace, is that low or high?

Mr. HALE. Well, it depends on what history you are looking at, but I know where you are going. If you go back 10–20 years, it was a lot higher.

Senator GRAHAM. Well, help me get there because I only got—  
[Laughter.]

Mr. HALE. It was higher in the past. I would argue it is not a very good measure to determine the size of the budget, but it was definitely higher in the past.

Senator GRAHAM. Apples to apples, it has been well over 5 in times of peace.

Do you consider this, General Dempsey, a time of peace?

General DEMPSEY. No, Senator. It would be hard to describe it that way.

Senator GRAHAM. It would be hard to describe this as a time of peace. The budget, 3.2 percent, is dramatically below what we would spend on our military in time of peace. We will see if we can reconcile that.

Now, let us talk a little bit about the ongoing conflict. Have you talked with anyone in the Ukraine on the military side, Secretary Hagel, that would indicate that if Russia continues to advance and there is a military conflict, if they move eastward toward Kiev, that they would request armaments from NATO?

Secretary HAGEL. I have not spoken with anyone who has suggested that or asked that.

Senator GRAHAM. And we hope it does not happen. Let us say that Putin, for some reason, moves forward and he moves forward toward Kiev beyond the Crimea. Would you support providing arms to the Ukraine, if they asked NATO?

Secretary HAGEL. Well, if it is a NATO decision, as you know, that would take all 28 members of NATO.

Senator GRAHAM. I mean, what would our vote be?

Secretary HAGEL. I do not know. It would depend on the circumstances. You know the NATO relationship with Ukraine. We support—

Senator GRAHAM. What if they asked us unilaterally?

Secretary HAGEL. To provide them armaments and equipment?

Senator GRAHAM. Yes, as Russia marches toward Kiev, under that scenario.

Secretary HAGEL. That would be a presidential decision, and he would make that decision. And we would give him recommendations.

Senator GRAHAM. I hope it does not happen, but I just want Russia to know that we are not going to sit on the sidelines forever here. If they have an escalation plan in their thinking, I would like them to know what comes their way, if the Ukrainian people are willing to fight and die for their freedom. I do not want any American boots on the ground, but that is something we need to think about as a Nation.

When it comes to 420,000 or 440,000 people in the Army, what percentage of that 440,000 would actually be trigger-pullers, people who go in and knock down doors and shoot people?

General DEMPSEY. Well, the Chief will appear before you. One of his institutional reforms is to rebalance tooth to tail.

But maybe the other way to answer that question, Senator, is the Army provides a lot of capabilities to the joint force, a lot of enablers, a lot of logistics. At any given time in any force, you can count on about a third of it being deployable.

Senator GRAHAM. A third of it being deployable.

If we decided as a Nation to have 500,000 people in our standing Army and 360,000 people in the Guard would that be an irresponsible decision? Would we be throwing money away given the threats we have?

General DEMPSEY. I would have to go back and do the kind of analysis that we have done to get to 450,000.

Senator GRAHAM. I just want the point to be that the analysis of numbers is budget-driven, not threats. You are living in a budget confine. Right? You are coming up with numbers to do the best you can with the money you got. I am asking you and Secretary Hagel if the country wanted a 500,000-person Army, would that be a waste of money if you had all the money in the world to spend. Is that too much?

General DEMPSEY. Can I first react to the characterization of this as entirely budget-driven. If it were entirely budget-driven, we would have accepted the levels of sequestration and built the budget accordingly. We have not. We have said that is too far and that we can provide the Nation's security needs at a higher level.

Whether we would go higher again, I think I would have to do the analytics to figure out what to do with that.

Senator GRAHAM. Secretary Hagel?

Secretary HAGEL. I think the Chairman is exactly right. That is what we would have to determine.

Senator GRAHAM. Would you like to have a 500,000-man Army to defend the Nation, Secretary Dempsey?

General DEMPSEY. I hope you just did not call me "Secretary."

Senator GRAHAM. Excuse me. I am sorry.

General DEMPSEY. Then I would have to answer the question.

Senator GRAHAM. I do not want to demote you here. I apologize. [Laughter.]

General DEMPSEY. You know what, Senator? What I would really like is budget certainty and the flexibility to use the money I have got responsibly, show you what that does, and then ask you. Is this what you want to do?

Senator GRAHAM. Final question. If in year 10 of the sequestration, our national security spending on defense is at 3 percent or less of GDP spending on defense, what kind of risk—one, is that smart, and what kind of risk would that entail?

Secretary HAGEL. I think the way we have to answer that or analyze an answer for you would be as we did in the QDR, as we have done as we have prepared that QDR, what do we need, what do we require to defend the national interests of this country, to protect this country. I do not know where that comes in. Does that come in at 4 percent or 3.5 percent or 3.2? I think that is where you start, Senator, and then you match what those resources would be in order to accomplish the mission of securing this country.

Senator GRAHAM. Will you send me a statement doing that actually? I want you to do that exercise. Use 3 percent of GDP spending as the amount of money you will have, compare the risk—

Secretary HAGEL. For how long?

Senator GRAHAM. For the next 20 years.

Secretary HAGEL. For a certainty of 20 years?

Senator GRAHAM. Yes.

Chairman LEVIN. Okay. Well, while you are thinking of an answer to that—

Secretary HAGEL. Well, we can run models. Sure.

Chairman LEVIN. If you could get the committee and Senator Graham those models, that would be great.

[The information referred to follows:]

[COMMITTEE INSERT]

Chairman LEVIN. Now, the vote has started. I am going to run over and vote, come back. Senator Donnelly is next. When you are done, Senator Donnelly, would you turn this over to the next Senator who is here on this list that will be given to you? And then we will keep going from there. And if there is no Senator who is back from voting, then we will take a short recess. Senator Donnelly?

Senator DONNELLY. Thank you, Mr. Chairman.

General, Secretary, Secretary, thank you again for all your service.

In regards to the BSA in Afghanistan—and I apologize if I am asking you a question you have already been asked—is there a time when it becomes—I do not know—unworkable to do it? I mean, is there in your mind a date like July, August, where you look up, we still have nothing, and you say the sands are out of the hour glass? Secretary?

Secretary HAGEL. Well, as you know, the President has asked us for options, ranges of options, a scope of options, which we have provided, and you know, what the range of those options are, as the Chairman noted earlier, what we think it would require to do a train, assist, advise mission, a counterterrorism mission, all the way if we come out. As far as the date, what is the cutoff date, General Dunford and his leaders have framed up the general time frame on this, and I will let the Chairman respond in any detail. But we, of course, had to look at that general time frame just for the reasons you mentioned because if we do not have a BSA, which the President made very clear to President Karzai, we have no alternative.

Senator DONNELLY. General, what I am trying to find out—and I think you know I am kind of familiar about the time frame. But when you are looking up September 15th, do you have time to get this done?

General DEMPSEY. Here is how I would answer it, Senator. We are in a condition of low risk right now. Our retrograde is going on pace. So the risk of having retrograde be affected is low. By about the middle of the summer, it goes to moderate. By the fall, it goes to high.

Senator DONNELLY. Okay.

In regards to the ANSF, what is your assessment now of their ability—once we go, we have trainers left. For instance, say a BSA is put in place—of their ability to do the job? Are we continuing to stay on our metrics, as we had planned out to December of 2014, and your thoughts as to how they do once we are gone?

General DEMPSEY. Tactically they are capable today of sustaining the fight against those that are fighting them.

Institutionally, that is to say, how they budget, how they pay, how they resupply, how they procure, they are nowhere near being ready to do that on their own. And that is the level at which I think we need to focus not only in the time remaining to us, but in the time beyond the end of 2014.

Senator DONNELLY. And I know all of your commitment to this. I just wanted to mention it again. We have seen a tick up in suicides in the Army Reserve and in the Guards, down in actives but up again there. And any additional focus you can put on this would

be extraordinarily important. And if you need more resources in this area, you know, let us know if this is a resource challenge for you as well financially. But there are so many challenges for our active duty. You have done such extraordinary leadership jobs. Anything we can do to try to lift this burden off would be very, very important. So do you have all the resources you need in that area right now?

General DEMPSEY. Yes, I think we do, sir, and generally because we have made the deliberate effort to place them there. But it requires constant recalibration. And if it ticks up, we have got to try to understand why.

Senator DONNELLY. Secretary Hagel, when we look at Ukraine and our NATO allies and you hear or read—and I do not know how accurate it is—that some are not as eager to put up a stiff spine as others, how is coordination going with our European allies and NATO allies there?

Secretary HAGEL. Well, I think the European allies understand this threat rather clearly, especially those on the border of Ukraine. The President has been very clear about our support of the people of Ukraine, their independence, the integrity of their sovereignty, and I think Secretary Kerry has been very clear on that point.

We have recognized, as you know, the interim government, and as I said earlier, supporting the process toward elections. Let the people of the Ukraine decide their future. Also in collaboration with the European allies, as well as others, particularly the OSCE—you know their announcement of their \$15 billion commitment that they have made. Secretary Kerry noted a \$1 billion U.S. commitment. I hope that Congress would move on that with some dispatch. The IMF is looking at different options.

So all of our allies and particularly the Europeans are all part of this effort. The whole diplomatic/economic track that is being used right now is the responsible way to approach that. So there is very clear participation and active participation with our allies here.

Senator DONNELLY. Thank you.

Well, the stiff spine of all of you is critically important, obviously, and we appreciate it very much.

With that, I will conclude my questions, and Senator Lee is next in the queue.

Senator LEE. Thank you, Mr. Chairman.

Thanks to all of you for joining us and thanks for your service on behalf of our country. It is deeply appreciated.

Secretary Hagel, the administration has yet to make an OCO request I believe because the President has yet to make a determination as to the specifics regarding a residual force in Afghanistan.

Now, estimates that we hear on what might remain in Afghanistan run along a spectrum. At one end of the spectrum, we hear high estimates suggesting there might be 10,000 troops or so remaining after the withdrawal. Others suggest that it might be closer to zero. But even at the higher end of these estimates, if it were, let us say, at the 10,000 range, this would still represent nearly a two-thirds decrease in our presence in Afghanistan next year. So

can we expect, in light of that, to see a corresponding decrease in the OCO request for next year?

Secretary HAGEL. Thank you, Senator, for your question.

I am going to ask the Comptroller to answer the specifics because that part of the budget, the overseas contingency part of the budget, has many things in it. There are readiness issues and so on. It is not just Afghanistan, as you know. Yes, obviously, we are waiting—you have correctly noted it—to see if we get some better clarity on the future post-2014, where it might be.

But let me ask the Comptroller to go a little deeper.

Mr. HALE. A decrease but not proportional, Senator Lee, and as Secretary Hagel said, there are items in there that will not come down in proportion to boots on the ground. Reset, fixing equipment as it comes out, Afghan National Security Forces are possibilities, and there are others as well. I am not prepared to give you a number. It will come down, but I would not expect it to be proportional.

Senator LEE. Okay.

Secretary Hagel, you have outlined some very specific reductions in end strength within the Army, its Reserve units, and within the Marine Corps. You were a little less specific on your reductions to Department of Defense civilian employees and civilian contractors. Can you give us an update on your plan to cut 20 percent of major headquarters operating budgets and other ways of making cuts in civilian personnel?

Secretary HAGEL. Yes, and we can give you a very detailed progress report, which we can give your staff a briefing on.

But to answer your question, as you know, General Dempsey and I both led the effort for all headquarters across the world, joint service, combatant command, obviously, starting with my office. That plan is underway. That plan is progressing. We are continuing to follow it out. And the specifics of it—I would be glad to give you a more detailed report.

Senator LEE. Thank you, I would appreciate that.

[The information referred to follows:]

[COMMITTEE INSERT]

Mr. HALE. May I briefly on the civilian full-time equivalents? They will come down about 5 percent, Senator Lee, from 14 to 19. So they are coming down. We need your help here. The way to cut civilians is BRAC because if you get rid of a BCT, you do not get rid of civilians. You close the base where they work. If you no longer need it, then you can get rid of them. So if we are going to see sustained reductions, we need your help in allowing us to close unneeded infrastructure.

Senator LEE. Thank you.

Mr. Secretary, the recent action by Russia in Crimea is alarming and it is part of a series of disappointments that we have seen since the Russian reset, you know, between the Syrian crisis, the situation with Edward Snowden, repeated INF violations by Russia, and now we have got his situation in Ukraine. We have had a disappointing series of setbacks with Russia as it relates to our relationship with Russia.

I want to talk to you a little bit about energy policy and how this might factor into that. It is of concern to me that some of the countries, including many of the democracies in many parts of the

world, that should be more inclined to stand up to Russia are perhaps not in a position to do so because of the fact that they are heavily dependent on Russia for their energy needs, given their dependence on Russian produced oil and natural gas.

Do you not think that it would be in the national security interests of the United States to open up our domestic production of oil and natural gas specifically for purposes related to our national security such that if we could open up our own production of oil and natural gas and make sure that we are able to export those commodities to a significant degree in the international market? The government in Russia, the plutocracy in Russia that is funded by this dependence on Russian oil and natural gas—would that not help ameliorate this problem?

Secretary HAGEL. Well, the short-term crisis that we are dealing with, Senator, is probably not going to be ameliorated with that dimension. However, your larger point is an important one about energy and production of energy. And it is not insignificant that North America is going to be essentially, as we fulfill the capabilities of our technology, the number one producer of energy in the world. As to the markets and opening that up and what kind of leverage does it give us or not give us on relationships with Russia or anyone else, I mean, markets always, as you know, and economics always dictate different dynamics of any foreign policy equation.

Senator LEE. And finally, Mr. Secretary, in light of the deterioration of our relationship with Russia, as I have just described, will the United States continue to pursue a new nuclear weapons treaty with Russia as the President outlined in his speech in Berlin last June?

Secretary HAGEL. We are pursuing compliance with the New START treaty. There is no new treaty. I mean, the New START treaty is the one treaty—

Senator LEE. Any new reductions in our nuclear forces.

Secretary HAGEL. I think the President has made clear that that that would not be unilateral. We would do it in conjunction, as we have in all past reductions, with—

Senator LEE. I assume you would agree that recent events would give us certain pause in approaching that—

Secretary HAGEL. Certainly but I think you always start—or this President has started—I think every President—with the Ronald Reagan theme of trust but verify. That is why you have verification procedures in place for all these treaties which are critical.

Senator LEE. I understand, and I would add only that given their failure to comply with the agreements that we have got, I have got significant concerns about that.

But I see my time has expired, and I thank you for your testimony. Thank you, Mr. Chairman.

Senator Kaine. Thank you to the witnesses for being here and your service and the testimony today.

I want to associate myself with Senator Lee's comments. I think the U.S. energy position gives us a significant opportunity, national security opportunity. Just contemplate U.S. sale of natural gas, for example, to the six nations to whom we give waivers that need to buy oil from Iran. Our natural gas gives us the ability to help wean away those countries from reliance on Iranian oil. And similarly,

the Nations that purchase oil and often feel constrained, because they do not have other sources, to purchase oil or natural gas from Russia. We would have an enormous opportunity there.

Be that as it may, I just want to make a point, and this is really for the Comptroller, Secretary Hale, to ask a follow-up question for the record. As I read the testimony about the President's budget, you are seeking in this FYDP relief from sequester but not the full elimination of sequester. And by my math, if we do exactly what you have asked us to do and we combine that with the earlier sequester relief that was contained in the 2014–2015 budget deal, you still in the Department of Defense will be absorbing 54 percent of the sequester cuts that were imposed pursuant to the BCA of August 2011. And we are going to ask that question for the record because I think it is important for folks to know that the DOD is not coming here and saying give us relief from the entirety of sequester. You have made a bunch of very difficult decisions, and while you think any sequester, like I do, is foolish, you nevertheless are accepting the reality of more than half the sequester even in your presidential budget submission today.

Am I in the ball park on that, Secretary Hale?

Mr. HALE. Yes. There is a thousand ways to calculate it, but I think you are in the general ball park. There have been cuts associated and in the non-defense side too, I might add, associated sequestration.

Senator KAINE. But we will a question for the record to specify exactly what cuts DOD has absorbed even if the desired state of affairs occurs and we support the President's budget submission.

[The information referred to follows:]

[COMMITTEE INSERT]

Senator KAINE. Second, with respect to carriers, Secretary Hagel, your testimony on page 6 today of the prepared testimony basically says the President's budget plan enables us to support 11 carrier strike groups, including the USS *George Washington* and its carrier air wing. Before I get into some particulars about it, it is the policy position of both the DOD and the White House to continue to support an 11-carrier Navy.

Secretary HAGEL. Yes, it is.

Senator KAINE. And that is not just a policy position of the White House and the DOD. It is also a statutory requirement, 10 U.S.C. 5062(b). It is a congressional statutory policy as well. Is that correct?

Secretary HAGEL. That is correct.

Senator KAINE. And so any reduction of the carrier force from 11 to 10 would not just be a matter of a budget line item, but it would also require a change in the statutory language. Is that not correct?

Secretary HAGEL. That is correct.

Senator KAINE. Now, in your opening testimony—and the chair got into this topic a bit—you testified here but also in the speech that you gave last Monday that if the President's budget is enacted, the *George Washington* will be overhauled, just to focus on carriers for a second. I looked at the President's budget when I received it to determine how the budget 2015, 2016, and beyond actually accomplished that—the President's budget. And as the chairman indicated, I was a bit confused about that too. And I gather

that the same could be said about Marine force end strength, Guard end strength, Army end strength, and the carrier issues. If I just look at the initial budget submission, I would probably be confused about whether if the President's budget is enacted, would those priorities in fact be funded.

So could you explain how, either in the budget document or documents to come or directives that have been put out within the Department, the enactment of the President's budget will make sure that those requirements, the statutory requirement in carriers in particular, will be accomplished?

Secretary HAGEL. I will. I am going to ask the Comptroller to go into the more detailed explanation.

But as I had explained to the chairman earlier, the FYDP plan in those decisions that you just went through—there are about four of them, some force structure, Army, Reserve, carrier. In the budget, we planned for what the current law is, 2016, sequestration. But I have sent directives to the chiefs saying that if we get an indication, which we hope we will, that sequestration will not continue picking up in 2016, then we have time to plan. We do not have to make that decision right now, as you know, because there is an air wing associated with this. There are people, there are a number of things associated with this particular issue. We have got time to make those adjustments.

And so I understand the confusion on how we did it and why we did it. So let me stop there and ask Bob for further clarification. Thank you.

Mr. HALE. So with respect to the chairman, I think what we did is not a disconnect. It is prudent planning. The law of the land is sequestration. We do not know what the Congress is going to do. And so what we have done for those force elements where we need time to plan, like carriers, like Army active end strength, we have put the sequester goal in the out-years of our 5-year plan, but we have also said, as the Secretary has said, and have done it now in writing if the Congress gives us an indication they will appropriate at the PB15 level over the period 2016 through 2019, we will stop the drawdown of the Army. We will keep the carriers at 11, and we will go back in next year's plan and make the changes we have to accommodate that.

Does that help?

Senator KAINE. It does. And I may ask a follow-up specifically on the record for that because the unequivocal nature of that commitment is an important one. If we battle hard to get sequester relief, we want that commitment to be an unequivocal one.

Mr. HALE. But there is an "if" statement there. We have to have some indication from the Congress that you are going to appropriate.

Senator KAINE. Then you have anticipated my next question. Mr. Chairman, this concerns me a little bit. If there is an indication from Congress, then we will do something different. Here is a little timing challenge. We just did a 2-year budget to give you guys more certainty and to give the private sector economy more certainty. And it

is not the intention of the Budget Committee on which I sit to do a different fiscal year 2015 budget. We just tried to give you

more certainty for 2014 and 2015, including sequester relief that we fought very hard for. You are asking us for some additional certainty for the out-years when it is not the current intent of the Senate to do a different budget.

Now, we do not have to answer that question today, but your indication of give us an indication, I am wondering precisely what kind of indication would be sufficient given that we have just done a budget within the last 2 months and are not likely to return to one soon.

Secretary HAGEL. Senator, I get everything you said. And I ask the same questions.

But back to what the Comptroller said, for us, the responsibility we have, he used the term “prudent.”? I cannot commit, nor any leader, carriers, force structures when in fact the law does not allow me to do that in the current numbers. And so we had to build some flexibility into this because, just like every hard choice that we have brought forward that the committee will make some recommendations, appropriators, so on and so on, tough choices—the structure we have, the program we have, the ideas, the plans we have in the total, in the whole, in the balance for the next 5 years—if we do not have those numbers in order to keep that carrier and to keep that force structure at 440,000–450,000, then we will have to take it somewhere else. Maybe the decision is to do that. I mean, I do not know. We tried to balance this, Senator, that makes sense for all of our needs. It is imperfect.

But let me just add one thing. We have never been this way ever before. I do not think in the chairman’s long distinguished career in the Senate he has seen such a time. I certainly have never seen such a time of unpredictability, not just in the world and threats and uncertainty, but in budgets, resources. Where is all this going? And in an enterprise, as you well know, the size of the Pentagon, it is an imperfect set of dynamics, and we are trying to plan in a responsible way.

Senator KAINE. Mr. Chair, I have one more question, but Senator Vitter—I am over on my time. Senator Vitter is up and I will wait.

Chairman LEVIN. Have you voted?

Senator KAINE. Yes, I have.

Chairman LEVIN. Thank you.

Senator Vitter.

Senator VITTER. Thank you, Mr. Chairman.

Thanks to all of our witnesses. Thanks for your service.

Like a number of other folks, I am really concerned that the latest QDR is largely significantly budget-driven, and I do not think it is supposed to be. Now, I can see a budget submission being budget-driven. That is part of the definition. I think the QDR is supposed to be fundamentally different.

Why was, for instance, this QDR only designed to look out 5 years? Is the mandated norm not 20 years?

Secretary HAGEL. It is, and I think reading through that, there is projections for the future.

But I would also say—

Senator VITTER. It is my understanding that they are not clear 20-year projections.

Secretary HAGEL. Well, we did not give specific 20-year projections. That is pretty hard to do, Senator, a 20-year projection.

Senator VITTER. Is that in some meaningful form not required by law, a 20-year outlook?

Secretary HAGEL. Well, that is right, and we have done that. But we did not do it in the same specificity that we did in a 5-year outlook simply because I do not know—I do not know if anybody knows—what the world is going to look like. What we have tried to do, first of all, is comply with the law. And it was not budget-driven. It was budget-informed.

I directed, soon after I went to the Pentagon a year ago, a Strategic Choices Management Review, which built a whole set of strategies to implement the President's Defense Strategic Guidance, which we have used as the guidance here for the QDR. It is not blind to the budget. Of course, not. The reality is that a strategy is only as good as the resources to implement. I know that it is not a budget. I know that. But it was informed by a budget.

Senator VITTER. As a supplement to this hearing, can you submit for us how this QDR fulfills the mandate of looking out 20 years? Because it is my understanding it is very different from previous QDRs and does not do that.

Secretary HAGEL. I will be happy to provide—

Senator VITTER. You do agree that that is the legal requirement.

Secretary HAGEL. As I said, we complied with the law.

Senator VITTER. If you could just outline how you did that.

[The information referred to follows:]

[COMMITTEE INSERT]

General DEMPSEY. Could I add, Senator, if you would not mind?

Senator VITTER. Sure.

General DEMPSEY. This QDR was done in an environment that was a bit of an aberration. I mean, we could put a finer edge on what that means. But we had just completed in 2012 a Defense Strategic Guidance document that does some of the things you are talking about, that looks out. That is where this phrase “rebalance to the Pacific” came and so forth, which is a long-term project not an overnight affair. And so what the QDR did was it used the Defense Strategic Guidance as the foundation document and built upon it, but the themes, the tenets, the principles, the mission areas refer back to the Defense Strategic Guidance. So there is a coherence here that we can lay out for you in a longer answer.

Senator VITTER. Okay.

General, do you think this QDR assumes, offers low to moderate risk?

General DEMPSEY. As I said in my assessment, Senator, if we achieve the promises that are extant in the QDR with institutional reform and all of the things that come with that, then we can lower the risk over the QDR period with the force structure we have to moderate risk, but it is going to take some heavy lifting.

Senator VITTER. So we are not there yet, and we need to get things exactly right under the QDR to achieve moderate risk in your opinion.

General DEMPSEY. That is my opinion.

Senator VITTER. General, I assume you agree. I think General Odierno has said repeatedly that 450,000 is the lowest level we can maintain reasonably in the Army. Do you agree with that?

General DEMPSEY. Yes, I do, Senator. 2–3 years ago, we were asked by this body where does the risk become too high, you know, where is the floor. And each Service went about the task of trying to answer that question. The Chief of Staff of the Army has answered that question, and I agree with his answer.

Senator VITTER. So to compound the last two questions, do you think going below that floor would impose greater than moderate risk on us?

General DEMPSEY. In certain mission areas. You know, it would not affect our responsiveness in our defense in space, in cyber, in the air, and the maritime domain, but it would increase risk in the land domain. Sure.

Senator VITTER. Last week, the head of U.S. Strategic Command said Iran may still be capable of fielding a missile that could hit the U.S. by 2015. What do we have built into this budget submission to deal with that possibility?

Secretary HAGEL. First, as you know in looking over the general numbers on the budget submission, we have added to our modernization of ballistic missile defense. We announced last year that we would build an additional 14 interceptors. We are adding actually to cyber. We are adding to defense of the homeland. We are working with the European allies on our European phased approach in our missile defense there. So we are addressing those vulnerabilities and those threats.

Senator VITTER. Let me ask it a little bit differently. So a missile to hit the U.S. by 2015 is a possibility not a certainty I think is the testimony. If over time we determined it was a probability or a near certainty, would we need to do something additional to maintain moderate to low risk in that category?

Secretary HAGEL. Well, you are always assessing risk and threats and the capability to respond and stay ahead of those threats.

Senator VITTER. I am saying if we determine that that was really going to happen, not just the possibility, is there enough in this plan and in this budget to face that with moderate to low risk, or would you want to be doing something additionally.

Secretary HAGEL. Well, we may do something additionally. But this is a time frame on where we think the threats are, all the different dynamics in play. And so it very much—those future threats and the capabilities we will need to respond to them were the forward part of the budget presentation.

Did you want to say something?

General DEMPSEY. No, just that we believe that our ballistic missile defense program, as it is articulated in our strategy and then captured in terms of resources in the budget, is adequate to the challenges we think we could face over that period. So if they do break out in 2015, we think we have got adequate land-based and sea-based ballistic missile defense capabilities. If they broke out in a way that was unexpected to us, which is always a possibility, we would have to go back and take a look at it again.

Senator VITTER. But what I am hearing is you think we are covered if they achieve that capability in 2015.

General DEMPSEY. Yes.

Senator VITTER. And something more aggressive would cause you to have to look back.

General DEMPSEY. That is correct.

Senator VITTER. Okay. That is all I have.

Chairman LEVIN. Thank you, Senator Vitter.

Senator WICKER.

Senator WICKER. Thank you, Mr. Chairman.

General Dempsey, I believe you stated you had been speaking to your Russian counterpart about Crimea. Is that correct?

General DEMPSEY. Yes, about Crimea and about Ukraine in general.

Senator WICKER. And, Secretary Hagel, have you had conversation with the Russian defense ministry with regard to Crimea and Ukraine?

Secretary HAGEL. Yes.

Senator WICKER. The Russian position—no one in the world believes it—is that these are not Russian troops which have occupied Crimea. Did either of these gentlemen you spoke to speculate as to who these forces belong to and did you ask this question, who the Russian leadership says these people belong to?

General DEMPSEY. I actually did, Senator, and the answer was that they were not regular forces. They were well trained militia forces responding to threats to ethnic Russians in the Crimea.

Senator WICKER. And well supplied, no doubt.

General DEMPSEY. I did suggest that a soldier looks like a soldier looks like a soldier, and that that distinction had been lost on the international community.

Senator WICKER. Can you tell us, General, based on our best information, where these troops came from?

General DEMPSEY. I cannot at this time tell you where the military forces inside of the Crimea came from. I can tell you that we have been tracking other activities in the western and southern military districts. But let me roll back with the Intelligence Community and try to get you a better answer than that.

[The information referred to follows:]

[COMMITTEE INSERT]

Senator WICKER. Okay.

And, Secretary Hagel, can you enlarge on that at all?

Secretary HAGEL. No. I think the Chairman said it all.

Senator WICKER. So it is not that you cannot tell us in this setting? It is just right now you just do not know.

Secretary HAGEL. Tell us what, Senator?

Senator WICKER. Where these troops came from.

Secretary HAGEL. You mean the specific Russian divisions?

Senator WICKER. Yes.

Secretary HAGEL. I do not know the specific areas where exactly they came from.

Senator WICKER. While the international community is watching, Secretary Hagel, other than just absolute logic, what evidence can you give to this committee and to the general listening public that these are, in fact, Russian troops?

Secretary HAGEL. What logic can I give?

Senator WICKER. No. Other than logic.

Secretary HAGEL. Well, I am not contesting that. I am not suggesting otherwise.

Senator WICKER. It is the Russians that are contesting it, and I would like for you to tell for the record what information we have as the United States military and as the DOD that contradicts the Russian position on this.

Secretary HAGEL. Well, we can get that information for you. It is pretty clear that they are Russian troops.

Senator WICKER. I think it is clear, but, General Dempsey, what evidence do we have?

General DEMPSEY. We do not have any evidence as yet. I think evidence could likely become available over time. But I will tell you that if you are asking my military judgment is that these are soldiers who have been taken out of their traditional uniforms, repurposed for placement in the Crimea as a militia force. But my judgment is they are soldiers.

Senator WICKER. But chapter and verse then—from both of you, we are not quite ready to cite chapter and verse how we know this for a fact. Are we?

General DEMPSEY. That is correct.

Senator WICKER. Let me just say I hear some talking heads in the media trying to make a distinction between Crimea and eastern Ukraine, and it is disturbing to me. I will let you respond. It is disturbing to me to hear some people suggest that, well, Crimea is a semi-autonomous part of Ukraine and it is gone from the Ukrainian republic now and the Russians will have it. I think that is an unacceptable position for the United States to take. Do you agree, General Dempsey?

General DEMPSEY. I do. The 1994 Budapest agreement, when Ukraine turned over its nuclear weapons, guaranteed its sovereignty and, as part of that territorial integrity, included the Crimea. So I do not find any ambiguity at all about that.

Senator WICKER. And, Secretary Hagel, it is going to be our firm position as the United States? position that Russia needs to withdraw its troops and that Crimea is part of Ukraine, and that issue is not up for debate. Is that correct?

Secretary HAGEL. Well, as you know, Russia has a basing rights agreement with Ukraine in Crimea. So I think the President has been pretty clear on our position that the sovereign integrity of a sovereign nation has been violated.

Senator WICKER. Right. Well, let me make sure that you are saying what I think you are saying. Russia has a base there and they are entitled to the rights given to them under the agreement—

Secretary HAGEL. They have troops there.

Senator WICKER.—between Ukraine and Russia. But that does not give them any right whatsoever to occupy that part of the Crimean peninsula that is not on the base. Am I correct?

Secretary HAGEL. That is right.

Senator WICKER. General Dempsey, let me just ask. You know, we have had some information about the Russians violating the INF Treaty. You were not Chairman in 2010, but if you had been aware of any potential Russian violations of the INF Treaty during

Senate consideration of New START, you would have recommended that that information be briefed to the Senate. Would you not?

General DEMPSEY. Yes. I mean, I think I would have probably made a recommendation that it be briefed in a closed, classified setting because the sources and methods of intelligence are fairly significant. But I certainly would have recommended that all available information be made available to you, the decisionmakers.

Senator WICKER. And when did you become aware of this violation?

General DEMPSEY. Well, I am aware of the allegation of a violation, and I am aware that the report will actually be submitted next month. So I have not seen the report as yet.

Senator WICKER. Thank you, sir. And thank both of you for your service.

I appreciate it, Mr. Chairman.

Senator MCCASKILL. Thank you all.

And I know people have talked about you, Secretary Hale, and I thought of you several times over the previous weeks when there have been people who have accused me of my position on the sexual assault matter being because I am soft on the military. And I thought of you because I do not know that you would characterize me that way. We have had some difficult exchanges over accountability within the military, and I want to give you a little bit of time during my questioning to talk about the audit.

I was really taken aback. Once the marines asserted audit readiness in 2008, it took 5 years. You know, when the marines say they are ready, you kind of assume they are ready, and for that audit to have taken 5 years and multiple audits for them to finally get a clean opinion. I am a little worried that the rest of DOD understands what audit readiness means, and I want to make sure we do not waste time and money chasing this prematurely when the basics have not been done.

Do you have a sense that the GAO report that went through the five key steps for readiness—that they are now being addressed by the other branches as we prepare to roll out a declaration of audit readiness?

Mr. HALE. Yes, I think so, Senator McCaskill. We learned a lot from the Marine Corps. But I also want to be upfront with you. We probably will not get a clean opinion the first year that we assert audit readiness. The auditors come in. They need to get comfortable with us. They need to learn our business, and we need to learn from them.

But what I will tell you is we need to get this Department under audit with an external, independent auditor. We will learn so much more than if we continue as simply trying to do it within the Department.

So I believe that there is a gray area here, but if we are in that gray area where we think we are close enough, we ought to get going even if it takes a couple of years.

Senator MCCASKILL. Well, believe me, I would be astounded and frankly worried about the auditors if you got a clean opinion in 1 year, but 5 years. Hopefully, we can do better than 5.

Mr. HALE. I think we can do better than that.

Senator MCCASKILL. Okay.

And thank you so much for your years of service in several different capacities to the greatest military in the world. I am very grateful. Lots of times, the folks with uniforms on, especially people who do what you do—it is not the glamorous job at the Pentagon. It is a very unglamorous job, and you should get a lot of credit for the time and energy you have spent at it.

Let us talk a little bit about OCO and Afghanistan. And here is what I am really worried about, Secretary Hagel. I am worried that the Inspector General over there for reconstruction has indicated to you saying that no more than 21 percent of Afghanistan will be accessible for oversight by the end of this year. That is a 47 percent reduction since 2009. I hate to sound like a broken record, but the amount of money we put in infrastructure reconstruction in these countries and the notion that we would continue to do that, knowing upfront that there could be no oversight.

I will be looking very carefully at the budget when it arrives after the elections to see if we are finally realizing that building their power grid and their water systems and their highways in an insecure environment is not a good use of our money. And I would like you to comment on that.

And overall, both you and General Dempsey, I continue to ask where is the data that this stuff works in a counterinsurgency. We are just assuming that spending billions of dollars—and by the way, most of we spent in Iraq, you know, the stuff we built is not operational or it is in ruins or it was blown up. And I do not think we have had a great deal more success in Afghanistan. And so it is like we started assuming that the military doing infrastructure projects was an effective way to fight in a counterinsurgency situation. And I do not know that we can prove it works. Can you all give me something that would give me comfort that we do not repeat this again in the next counterinsurgency encounter we have?

Secretary HAGEL. Senator, you have just laid out the whole set of realistic questions that concern all of us. We are dealing with the future of Afghanistan here in this context. From what we have learned in past experiences, as you correctly note, in Iraq, there are a lot of questions, and our Inspector General keeps bringing them up. So these are factors that are going to have to and will be and are being considered on future development assistance. Is it verifiable? Can it work? Where is the oversight? How do we know? All the questions, but you are right.

General DEMPSEY. First, Senator, I do not know who called you soft on the military, but if you give me their email address, I would like to assure them that that is not the case.

Second, your question is a good one. I have a directorate in the Joint Staff responsible for lessons learned, and I will go back and dig up what we have on metrics demonstrating the connection between developmental projects and stability. It is something we have struggled with, especially early on in these two conflicts. We were playing catch-up right from the start. I think it is true, though, that in a counterinsurgency, the fundamental task is to separate the insurgents from the population, and certainly development and aid and economic growth is one of the ways to do that. But I will give you a fuller answer.

[The information referred to follows:]

[COMMITTEE INSERT]

Senator McCASKILL. Yes. I think it is really important we figure this out. I am not against aid. As you all know, this thing kind of morphed from CERP to AIF. You know, we have gone back and forth. Is this a state function? Is this a DOD function? Is this active military or is this contractors? And I am not sure that we have clear answers, and I do not think we are looking carefully enough at the lessons learned to direct us going forward.

And finally, I have got some other questions for the record, but I am almost out of time.

I do think it is important that you all—I know we have gotten an answer from the readiness folks about how many 06s we would need if the Gillibrand proposal became law. We have gotten a total now that at least 74 06s would be needed just to make disposition—for disposition authority. If you all can give us more guidance as to where you would have to pull them from. Would they come out of military judges? Because you do not have enough. Would they come out of senior prosecutors? Would they come out of the defense attorneys, or would they come out of the staff judge advocate corps? And what would be the plan in terms of filling that need if the proposal to shift all of those disposition authorities to lawyers in the military or in fact become law?

Secretary HAGEL. We will provide that.

[The information referred to follows:]

[COMMITTEE INSERT]

General DEMPSEY. Could I add, though, Senator? Just to be clear, we really appreciate your leadership on this issue and we appreciate what Senator Gillibrand is doing too. If I thought it was just about resources, if I thought that was the answer, I would line up behind it. But fundamentally it is not about the resources. It is about accountability and responsibility in the right place in the system, and that is the commander.

Senator McCASKILL. There is no question about that. The reason I bring it up is because her amendment, for some inexplicable reason, prohibits any additional resources to be used. I do not know why that is in the amendment, but it is. So you could not add more resources to it if you wanted to, if her proposal became law. That is why I think it is very important for us to know where these 06s are going to come from.

Chairman LEVIN. Senator Cruz?

Senator CRUZ. Thank you, Mr. Chairman.

Mr. Secretary, General, thank you for being here. Thank you for your service. Thank you for your testimony today.

Secretary Hagel, last week you stated, with respect to the National Guard versus active duty military, that increasing or protecting the Guard from cuts is not reasonable, and in particular, you stated that, quote, we must prioritize readiness, capability, and agility. Setting aside readiness and agility for the moment, in your judgment is the National Guard or the Reserve units truly less capable than their active duty components? Would you care to elaborate or explain your views on that?

Secretary HAGEL. I am sorry. Are they less capable did you say? I am not sure I said less capable. Let me go back and get the first part of your question. Then I will get to the second part.

I have said here a number of times this morning, Senator, the National Guard and the Reserves are going to continue to be a vital part of the national security enterprise. I have said that. I think the Chairman has been clear. We are all clear on that.

Then if that is the case, as we are looking at framing up a balanced way forward on our strategic interests, guidance and how we protect this country, then we had to assess everyone's role. And one of the points that I made, that I had to look at carefully suggestions, recommendations, reductions, adaptations in every force, Air Force, Marine, across the board, which I did, at the recommendation, by the way, of our chiefs. So it was not done unilaterally.

I noted in my testimony that in comparing the active and Reserve and National Guard reductions, we protect the National Guard and Reserves in those reductions versus percentage of cuts to the active, whether it is aviation brigades or however way you want to apply—whichever metric you want to apply to it. So I hope that is clear.

As to the second part of your question, when you look out at the future needs and assessments and threats and challenges, the National Guard, as we know, has a couple of roles. Our active duty has but one responsibility and that is to be active and ready and agile and go now if they need to. That is not the case with the National Guard and Reserves, not that they are not capable. They did a tremendous job in Iraq and Afghanistan. But there are different responsibilities. So we tried to balance those. I met with the Governors Council last week on this. We have talked to Governors about their responsibilities as to how they use their National Guard. So if that is some explanation that would be more helpful to you, Senator, as to why the recommendations were made the way they were, that would be it.

Senator CRUZ. Well, thank you, Mr. Secretary. I will share my view that I certainly think both the Guard and our Reserves are a critical part of our readiness and capability to defend this Nation.

The first question is connected with the second question, which is that your budget proposed that the Army cut six brigade combat teams by 2019. That is an astounding amount of land combat power that is being proposed to be reduced, and in my view the world has only gotten more dangerous not less dangerous. And I am very troubled by these cuts by diminishing our ability to defend our national security. And it seems to me there are a great many other areas in the Pentagon budget that ought to be much higher candidates for cuts than reducing the men and women who are directly on the front lines who go directly to our warfighting capacity.

So, for example, the Department of Defense continues to spend billions of dollars unnecessarily on alternative energy research programs at DOD.

The Navy recently spent \$170 million on algae fuel that costs four times as much as regular fuel, meaning potentially \$120 million wasted. And instead of buying that algae fuel, which even the National Research Council says currently is not sustainable, DOD could instead field nearly a battalion's worth of active duty soldiers or even more National Guard troops.

And so the question I would ask, Secretary Hagel, is why in your judgment does it make more sense to cut Army infantry troops rather than cutting spending on algae fuel for the Navy?

Secretary HAGEL. Well, I have just asked the Comptroller to give me a specific number on—

Mr. HALE. I will get it soon. I do not have that one in my head. I will get it for you.

[The information referred to follows:]

[COMMITTEE INSERT]

Secretary HAGEL. But I do not think it is billions of dollars.

Mr. HALE. I do not think it is multiple billions.

Secretary HAGEL. It is not billions of dollars.

Senator CRUZ. It is \$170 million.

Secretary HAGEL. Okay, but that is a little different than billions. But that is not the essence of your question. I get it.

We did have to look at different reductions in different areas. But on the first point on our troops, dangerous to make those cuts with brigades, we have hard choices to make, as you know, Senator, based on the reality of what is before us. But readiness, capability, modernization is critically important to our troops, the troops that we have in the field and ask them to go in that field that they continue to have the edge and will always have the edge over any adversary, over any enemy. And that takes constant training. That is money. That is operations. That is all that goes into readiness.

The technical edge and capability that they need to have and we want them to have—that takes money. What goes into that, the research and the science—that takes money.

So we tried to balance everything in a way here that made sense, again, to fulfill the requirements necessary to defend this country.

Senator CRUZ. Well, let me ask one more question because my time is expiring.

The Defense Department spent \$117 million, again, nearly enough to field a battalion of Army combat power, on renewable energy projects that now face major delays or cancellation. So, for example, the Air Force spent \$14 million on wind turbines in Alaska, and it turns out there is not any wind there. And so the Inspector General has recommended the Air Force to shut down the entire project altogether.

And despite these problems—you mentioned a minute ago that \$160 million was not billions. Well, the Army is planning on awarding \$7 billion in renewable energy projects in coming years. That is real money.

It seems to me that the energy needs of our military should be derived by what is the most cost-effective and efficient energy to carry out our warfighting capacity and we ought to be looking at cutting overhead and unnecessary programs like algae fuel rather than reducing our warfighting ability, reducing the men and women who are able to serve in the Army and defend our Nation. Do you agree or disagree?

Secretary HAGEL. We are cutting overhead. We are doing the things that you suggested, and you are right.

As to the Army's billions of dollars of a commitment to a program, I do not know specifically what you are talking about. We will find out. We will get back to you.

[The information referred to follows:]

[COMMITTEE INSERT]

Secretary HAGEL. But, yes, the cheapest, most reliable, most effective energy, since we are the largest energy consumer in the world—the Department of Defense—is a requirement, and we have to have the ability and the readiness and all the rest that goes with that, the access to that energy.

So, no, I understand your point, and we have tried to cut where we do not need that kind of capability, or more to the point, some of it may be a bit of a luxury but research is important. I take your point and we will get to you on the specifics.

Senator CRUZ. Thank you, Mr. Secretary. I appreciate that. Thank you, gentlemen. Thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator Cruz.

I do not know if I am going to ask the exact same question that you are. I have a hunch that I am, Senator Kaine, but I think I am going to yield to you first, and then if you do not cover that issue the way I was going to cover it, then I will do it later.

Senator Kaine. Thank you, Mr. Chairman.

As I finished my first round of questions, I was asking you what is it that would be an indication of support for the President's budget that would trigger the willingness of the Department to move forward on those priorities when it is not likely that the Senate will pass a budget because we just passed a 2-year budget. I do not know that we need to get into that one now, but that is something that I think we need to continue to discuss and explore.

I want to ask a question now about the worst case scenario. I am opposed to sequestration. One of the first votes I cast when I got here was to not let sequestration go into effect in February 2013. I have worked on the Budget Committee with my colleagues to provide as much sequester relief as we could find in 2014 and 2015, and I am going to keep doing it. So I am going to keep trying to battle for what the President's proposed budget is with the \$115 billion plus the \$26 billion in sequester relief.

However, the worst case scenario. If the Congress does not provide either an indication of support or actual support in lifting sequester cuts, it would still be the case that there is a statutory requirement for 11 carriers that, absent change in the statutory language, would be the law of the land. Is that not correct?

Secretary HAGEL. Well, Senator, as I have said and you would expect us to do, we will follow the law.

Second point on this specific issue, carriers or any other tough decision that has to be made. If we do not have the resources, then there will be further cuts somewhere, but those will be made just like this proposal we are all discussing specifically this morning, as well as the entire inventory, our recommendations. We follow the authorization and appropriations directive of the Congress. We follow the law. These are recommendations.

Senator Kaine. And just to follow up—again, this is the worst case scenario—you have one law, the sequester, the BCA caps. You have a second set of laws that 11 carriers would be an example of

one. There are other line items within the DOD budget that have a statutory requirement as well. There are other DOD spending items that are not statutorily mandated. But you might say that some of the non-mandated items, for purposes of our particular strategic challenge, might be more important than some of the statutory ones in terms of your own recommendation.

But I just want to get down to it. If the worst case happens, absent a change in the statute, switching national policy from 11 carriers to 10 carriers—we cannot switch back to 10 carriers absent a change in that statute. Is that not correct?

Secretary HAGEL. Which I have already noted. That is right, yes.

Senator KAINE. That is all of the questions I have, Mr. Chairman. Thank you for that opportunity for a second round.

Chairman LEVIN. Thank you, Senator Kaine.

Senator Inhofe.

Senator INOFE. Yes, thank you, Mr. Chairman.

I do want to clarify a couple of things. What I was trying to do in my time, my first 7 minutes, was to make it very clear that I knew that it was not you two. I mean, I use your quotes. Your quote, Secretary Hagel, American dominance on the seas, in the skies and space can no longer be taken for granted. And yours, General Dempsey, when you said that on a path where the force is so degraded and so unready that it would be immoral to use force.

There is one area where we all agree, and I am talking about the uniforms and the secretaries and everybody else, that is, we are down to an unacceptably low level compared to the threat that is out there. And I attempted to get that across.

And I really think the last two—first of all, Senator Graham came along with this 3.2 percent of GDP when it had been 5 percent during the times of peace. Now, since that time looking at the President's budget into the future, it goes, starting next year, down from 3.2 to 3.0, 2.8, 2.7, 2.6, 2.5 and on down until it is 2.3. So that is the plan that is out there right now. In terms of priority, it is totally unacceptable.

But I think that he did such a good job of using that, and certainly the line of questioning that came from our Senator from Texas. I would like to add to the examples that he used. \$120 million for a solar farm in Fort Bliss. The \$75 million in fiscal year 2014 appropriations for alternative energy research. The Navy—now, he was talking about another branch there. The Navy contributed \$160 million towards biofuel initiatives, retrofitting and building refineries in both fiscal year 2012 and fiscal year 2013. In 2011, it spent approximately \$26 a gallon. He covered that one. And he mentioned one I was not aware of and that is \$117 million for Alaska wind energy.

Now, when you start adding all this up, you are talking about really serious money. It may be true there is a big difference between millions and billions, but right now, this is the problem that we have. It is not you guys. It is the administration that does not have the priorities that you have stated, Mr. Secretary, that they have in terms of defending America as the number one priority. And I use the example. Yes, it may sound a little extreme that the amount of money he spent on his climate stuff would buy 114 new

F-35s. And so I want to make sure all of that is in the record, and that was my intent, to make sure that people know out there that we have a really serious problem in terms of the direction this administration is taking our military in the face, in my opinion, of the greatest threat that we have ever faced in the history of this Nation.

Thank you, Mr. Chairman.

Chairman LEVIN. Thank you, Senator Inhofe.

Senator Sessions.

Senator SESSIONS. Thank you, Mr. Chairman, and thank all of you for your service.

I am ranking on the Budget Committee, and sometimes our committee overlaps I guess, Mr. Chairman, in the concepts and issues that we face.

I would say that there is no doubt that the restrictions in spending growth that we placed on the Defense Department were greater than any other Department. There is no doubt that you took real cuts and we are facing a dangerous cut this year. I am glad something could be worked out. I was not able to support the solution as written, but we needed to do something this year because it would have been very damaging in my opinion to the military. I want to say that.

I hope, Secretary Hagel, that you like most leaders in your announcement about spending were putting everybody on notice a little bit, and I hope that when you look at the numbers that have been put back in, the \$35 billion this year, which I guess Defense gets half in actual money next year, that maybe all those cuts will not be as necessary as you suggested. Actually I do not think you declared every one of those things would happen. But I think it is important for us to begin to distill where we are, how much you are going to have to reduce programs and personnel and equipment, as well as what it will look like in the future.

So I think it is a healthy thing for you to lay out where you see things now, but I am hoping that you will not have to do all of those things, number one.

And number two, I think you have already discussed the danger of anybody in the world believing that we are on such a pell-mell reduction that we are not going to be able to field an effective military force in the future. I believe you can do that even though I would like to see some of your reductions avoided.

Have you commented on that? If you have, I do not want to repeat that question. But I think it is important that the world knows that we are going to be leaner, more efficient, more productive, and we are going to meet the challenges that we have to meet around the world.

Secretary HAGEL. I am glad you asked the question, Senator, and it is an important point and we really have not focused on it today.

First—and I have said this publicly. I know Chairman Dempsey has, others. The United States of America possesses the most lethal, strongest, most powerful military today in the history of the world. We will continue to have that kind of a military. We need that kind of a military to protect our interests.

Now, that said, we also recognize what is coming, more sophisticated threats, asymmetric threats. You know those kinds of

threats. We have got to make sure that we have the resources to keep this military the best led, best trained, best educated, best in form with the most significant technological edge of any military we have ever had that has ever been in the world. And we can do that, but we are going to have to make some hard choices.

To your reference here in your comments, the prioritization of what we are going to require in order to secure the interests of our country and the security of our country. So your point about this country still has the capability to defend itself and do the things that our citizens believe we can do, expect us to do—we have that capacity. We are going to continue to have that. But at the same time, the reality of limited resources puts further risk into how we do that.

Senator SESSIONS. Secretary Hagel, thank you for talking to me about the announcement you made about the littoral combat ship. I hope that is a reduction we do not eventually have to make.

I would just ask this. I may submit some written questions about it. But as I understood your statement, you believe that we need a different kind of ship after 32 LCSs were completed, but you also indicated that LCS would be able to compete on price and capability with any other ship at that point. Is that correct? Or see what the Navy would need as it brings its fleet back up to the 300 level.

Secretary HAGEL. To begin with, we need the capability that the LCS was designed to give us, the anti-submarine, mine sweeping capability. We are going to continue to go forward with the production commitment of 24. The Chief of Naval Operations, Navy, has recommended, in addition to that, another eight to fill that capacity out. So I have authorized that number of 32.

I have also said if we would build that LCS fleet out, the full 52, that represents our future Navy, a sixth of a 300-ship Navy. With the emerging technologies in weapons systems around the world and the LCS having limited capabilities, limited survivability, limited combat power—but it was not designed for all that. I get that—then should we be examining whether we need a more up-gunned LCS, more lethal, more survivable? I have asked the Navy to come back to me later this year, which they say they can do based on the testing and the analysis, looking at maybe—there are two hulls being produced now, as you know, Senator. Maybe there is combination of the two. I do not know. I have put it back with the Navy. You come back to me, tell me what you think you would recommend we need.

Senator SESSIONS. Well, I understand. I just happened to be here as a new Senator and found myself chairing the Seapower Subcommittee of the U.S. Senate. What an august thing that was.

Admiral Vern Clark advocated for this ship. We approved it. Over the years, it remains a prime priority of the Navy. So curtailing it I think is a mistake. But regardless of that, I feel like you will work your way through it, and I hope that you will not do anything that would adversely impact the ability of that ship to compete with other ships or whatever new capabilities and missions you think you need in the future.

I may submit a few written questions on it.

But thank you for sharing with me and being able to discuss that.

Thank you, Mr. Chairman. I am very sorry that I was not able to be here throughout this important meeting.

Chairman LEVIN. Thank you, Senator Sessions.

Just one effort to clarify this big budget picture, and that has to do with this additional \$115 billion for the last 4 of the 5 years of the FYDP, which is being requested. And what we have been told orally again is that if that money is forthcoming and paid for, funded, that then the active end strength, for instance, in the Army would be 440,000 to 450,000. The Guard would be 335,000. These are higher numbers than what is otherwise going to be the case. The same thing with carriers. There would be 11 instead of 10.

And then when I asked whether or not when you give us the detail for the \$115 billion that is going to show those higher numbers, and the answer is no. And what I do not understand is, if you are going to give us detail for the \$115 billion, why would that detail not reflect the higher numbers for end strength and for the carrier. Why would that not be reflected in that detail? If you were not going to give us any detail, then I understand your answer, but you are going to give us detail.

Secretary HAGEL. I am going to answer again and then let the Comptroller go into it.

Chairman LEVIN. And then I will give up because it is late, and your explanation may work with some other folks. It has not yet worked—

Secretary HAGEL. Well, I do not know. Later explanations are not particularly more edifying than earlier explanations.

But again, what drove the decision to do it this way was the reality of the uncertainty. If we commit to—I get the law. I get all that. Now, remember, these are recommendations that I make. The Congress will make decisions. But I could not put, in my opinion—and I had the recommendations of our leadership on this. I could not commit to all of these things, not having some assurance that I would have the capability with the resources to be able to fund these things.

Chairman LEVIN. I understand that. I understand that. But my question is this. You are going to give us—with that same uncertainty and without that assurance, you are going to give us a list as to where that \$115 billion would go.

Secretary HAGEL. Yes.

Chairman LEVIN. How can you give us a list of where the \$115 billion would be spent if there is all this uncertainty, which there is, by the way? And I think you are wise to be realistic. You got the reality of uncertainty. You cannot commit to these things, these larger numbers without greater certainty. But you are still going to give us a list as to how you would spend it. And I do not know, given the uncertainty, how you can give us any list. And if you are going to give us a list, why you cannot give us the higher end strength numbers and the carrier. That is what I am trying to understand.

Secretary HAGEL. Okay. Let me ask the Comptroller.

Mr. HALE. So I will take one more shot. It is a good question and a fair one, Mr. Chairman.

The problem with the particular areas, that carrier, the end strength—it takes a long time to plan. Sequestration remains the law of the land. We felt it was prudent to put a few of those items where we needed to be thinking ahead how to do it in at the lower levels with the understanding if we get an indication that you will appropriate at the President's budget level, we will change that plan. And we can, I believe, within the resources. But we felt we should, for the sake of prudence, plan for these major items that take time to plan ahead in a kind of worst case.

Does that help?

Chairman LEVIN. No.

Mr. HALE. Not much.

Chairman LEVIN. Just take the Army.

Mr. HALE. I am willing to surrender.

Chairman LEVIN. What is the end strength level for the Army in the 2015 FYDP? What is that number?

Mr. HALE. Through fiscal year 2017, at fiscal year 2017 they will be at 450,000. In 2018 and 2019, they go down to 420,000.

Chairman LEVIN. And that is in the FYDP.

Mr. HALE. It will be, yes. You do not have it yet, but yes.

Chairman LEVIN. Thank you.

Senator SESSIONS. What is the Army now?

Mr. HALE. About 510,000. It will be, at the end of this year, about 510,000.

Senator SESSIONS. So by the end of next year, it will be—

Mr. HALE. No. By the end of fiscal year 2017, it will be down to about 450,000 under our FYDP plan.

Chairman LEVIN. Under the FYDP, under the 5-year plan, it then goes down to 420,000.

Mr. HALE. Correct. Planning ahead, if you give an indications of appropriating at the PB15 level, we will stop that drawdown at around 450,000.

Chairman LEVIN. And that is something you are telling us, but that is not reflected in either the current budget document or in the document you are going to be giving to us as to how that \$120 billion is going to be spent. Right?

Mr. HALE. That is right because we felt we had to plan ahead.

Chairman LEVIN. Got you.

Senator SESSIONS. Secretary Hagel, I have looked at the numbers. I know the Defense Department has taken serious reductions, but you got the hole filled in this year. You were going to take a \$20 billion reduction, and that would have been devastating. You have avoided that and got an increase. You got extra money put in next year. And under the BCA, after that, the Defense Department in the other discretionary accounts is supposed to grow 2.5 percent a year.

So I am going to be looking at these numbers. I know you are going to have to tighten belts across the board and we allowed this tough decision to be made. Before we are talking about putting even more money in, in addition to Murray and Ryan's legislation, we are going to have to see the numbers and be pretty specific about it. So we are going to be looking at it. I just would say that to you.

Mr. HALE. If I could just respond briefly. The last year's President's budget in our view fully funded the January 2012 strategy. We are \$31 billion below last year's plan in fiscal year 2014 this year and \$45 billion below it in the budget—

Senator SESSIONS. The President's plan, but what was the difference in the numbers?

Mr. HALE. We have been flat for the last 3 years in nominal terms. So it has been coming down in real terms.

Senator SESSIONS. Does that include the increase that was in Ryan-Murray?

Mr. HALE. Yes.

Senator SESSIONS. You are flat this year from last year, not an increase?

Mr. HALE. Correct.

Chairman LEVIN. They have been flat for 3 years.

Senator SESSIONS. Admiral Mullen told us the deficits are the greatest threat to our national security. He has been proven right.

Chairman LEVIN. Well, we got greater threats right now to our national security than our deficits. Our deficits are going down, but the threats are going up. So I happen to disagree with Senator Sessions on that one.

Senator SESSIONS. The reason defense is going down is because of the deficit.

Chairman LEVIN. What you are asking for is very, very reasonable in terms of this additional \$26 billion just for defense and FD6 overall for defense and non-defense.

We are going to be given the pay-for in the next couple weeks, I believe, from the administration. Many of us have pay-fors which are perfectly reasonable to pay for what we need to do as a country, including closing some of these loopholes which are egregious, these offshore tax loopholes, these loopholes which allow the most profitable corporations in the country and the world to avoid paying taxes by shifting their intellectual property to tax havens, the loopholes which allow the hedge fund managers to be paying half the tax rate that the people who work for them pay. I mean, there are some unjustified tax loopholes in this tax code which we should close if we had no deficit. But given the fact that we have got real needs, including our security needs, which we must fund adequately, there are places we can fund it, fund this \$26 billion for defense and the \$56 billion overall.

So I hope that we will take the lead that the administration has given us on this budget and fund the full \$56 billion. There will be differences over how, but whether we should do it, it seems to me, is absolutely clear, and we will need some bipartisan cooperation in order to achieve that.

You three have been terrific in terms of your patience. We are grateful for your service. We will thank you I guess for the last time, Secretary Hale, perhaps. There is a big smile on your face, which I do not know if that shows on the tube or not.

But we will now stand adjourned with our thanks.

[Whereupon, at 1:25 p.m., the committee adjourned.]