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SENATE COMMITTEE ON ARMED SERVICES

**STATEMENT OF
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BEFORE THE

SENATE COMMITTEE ON ARMED SERVICES

ON

FY 2016 DEPARTMENT OF THE NAVY POSTURE

10 March 2015

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Introduction

Chairman McCain, Ranking Member Reed, and distinguished members of the Committee, I am honored to represent more than 600,000 active and reserve Sailors, Navy Civilians, and their Families, especially the 41,000 Sailors who are underway on ships and submarines and deployed in expeditionary roles, around the globe today.

As the chartlet below shows, about 95 ships (1/3 of the Navy) are deployed around the globe protecting the nation's interests. This is our mandate: to be where it matters, when it matters.

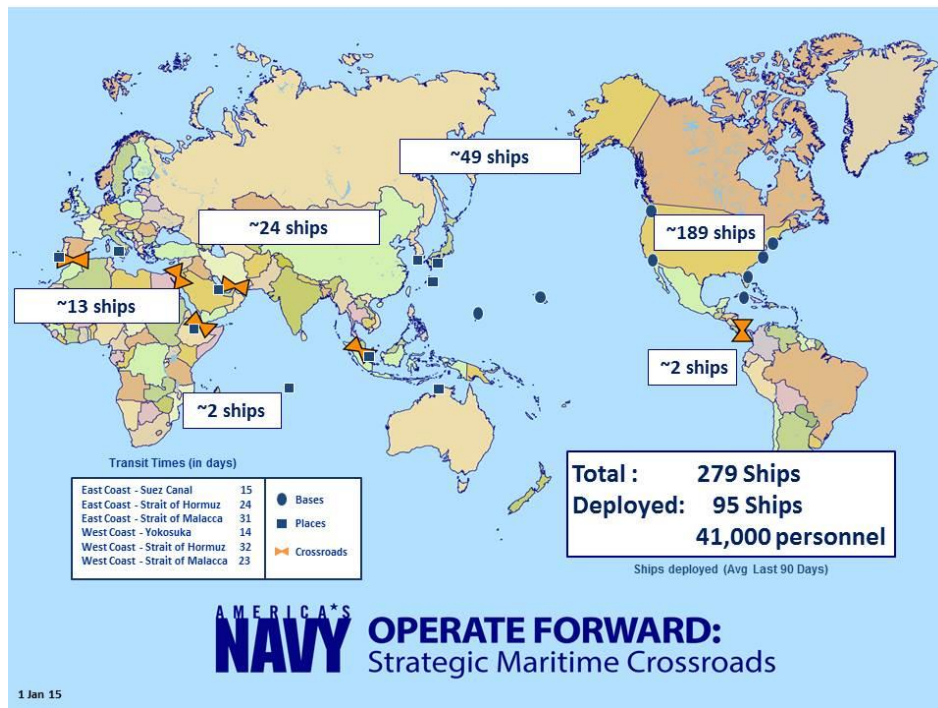


Figure 1: The Navy's forward presence today

I would like to begin this statement describing for you the guidance that shaped our decisions within the President's Budget for FY 2016 (PB-16) submission. I will address the Navy's situation following sequestration in FY 2013, the Bipartisan Budget Act of 2013 (BBA), and the National Defense Authorization Act (NDAA) and Appropriations Act for FY 2015. Then, I will provide details of our PB-16 submission.

Strategic Guidance

The governing document for PB-16 is the Secretary of Defense's 2014 *Quadrennial Defense Review* (QDR). The QDR uses the President's 2012 *Defense Strategic Guidance* (DSG) as a foundation and builds on it to describe the Department of Defense's role in protecting and advancing U.S. interests and sustaining global American leadership. The DSG and its ten *Primary Missions of the US Armed Forces* have guided Navy's planning for the past three years. Validated by the QDR, those missions remain the baseline against which I measure our posture in various fiscal scenarios. Also, 2020 is the "benchmark" year identified by the DSG, and that remains the time frame on which my assessments are focused.

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

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

Overview

Sequestration deeply affected the Navy budget in FY 2013 and we have not yet recovered. Stabilized funding in FY 2014 and 2015 provided by the BBA, along with an additional \$2.2 billion above Navy’s requested budget in FY 2015, provided limited relief from sequestered Budget Control Act of 2011 (BCA) funding levels and helped Navy’s overall posture. However, the cumulative effect of budget shortfalls over these years has forced the Navy to accept significant risk in key mission areas, notably if the military is confronted with a technologically advanced adversary or forced to deny the objective of an opportunistic aggressor in a second region while engaged in a major contingency. By “risk,” we mean that some of our platforms will arrive late to the combat zone, and engage in conflict without the benefit of markedly superior combat systems, sensors and networks, or desired levels of munitions inventories. In real terms, this means longer timelines to achieve victory, more military and civilian lives lost, and potentially less credibility to deter adversaries and assure allies in the future.

The PB-14 Future Years Defense Program (FYDP) submission was the baseline required by Navy to carry out all ten DSG missions. Over the last three years, however, the Navy funding under sequestration and the BBA was \$25B less than the PB-13/14 submissions, shortfalls that manifest in the continued erosion of our warfighting advantages in many areas relative to potential adversaries. PB-16 represents the bare minimum to execute the DSG in the world we face, but still results in high risk in two of the most challenging DSG missions that depend on adequate numbers of modern, responsive forces. Should resources be further reduced below PB-16 levels, and certainly if sequestered, the DSG will need to be revised.

If budgeted at PB-16 levels, we assess that the Navy of 2020 will¹:

¹ Navy revised the accounting guidelines for its Battle Force according to requirements set forth in the FY2015 National Defense Authorization Act. Numbers in this statement are not directly comparable to those used in prior testimony, see chart below. The NDAA prohibits inclusion of “...patrol coastal ships, non-commissioned combatant craft specifically designed for combat roles, or ships that are designated for potential mobilization.” Ships that were counted last year, but are no longer counted, are Patrol Craft (PC) and Hospital Ships (T-AH).

| | <i>Current as of 1 Jan 2015</i> | <i>FY 2016</i> | <i>FY 2020</i> |
|------------------------------|---------------------------------|----------------|----------------|
| <i>PB-16: New guidelines</i> | 279 | 282 | 304 |
| <i>PB-16: Old guidelines</i> | 288 | 291 | 308 |

- Include 304 ships in the Battle Force, of which about 115 will be deployed. This global deployed presence will include more than two Carrier Strike Groups (CSG) and two Amphibious Ready Groups (ARG) deployed, on average.
- In the best case, provide “surge” capacity of about three CSGs (by approximately 2018) and three ARGs (by approximately 2020), not deployed, but ready to respond to a contingency.
- Deliver forces to conduct the DSG primary mission *Deter and Defeat Aggression*, but with higher risk compared to PB-14 due to capacity and readiness challenges.
- Conduct, but with greater risk, the DSG primary mission *Project Power Despite Anti-Access/Area Denial (A2/AD) Challenges* against a technologically advanced adversary compared to PB-14. This is principally due to the slower delivery of new critical capabilities, particularly in air and missile defense, and overall ordnance capacity.

To ensure the Navy remains a balanced and ready force while complying with the reduction in funding below our PB-14 plan, we were compelled to make difficult choices in PB-16, including: slowing cost growth in compensation and benefits; deferring some ship modernization; deferring procurement of 18 of Navy’s most advanced aircraft; delaying over 1,000 planned weapons procurements; and continuing to reduce funding for base facilities sustainment, restoration, and modernization. Deferments in PB-16 compound modernization delays we were compelled to accept in PB-15 due to budget constraints.

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

Continuing Impact of Sequestration in FY 2013

Sequestration in FY 2013 resulted in a \$9 billion shortfall in Navy's budget, as compared to the PB-13 submission. This instance of sequestration was not just a disruption, it created readiness consequences from which we are still recovering, particularly in ship and aircraft maintenance, Fleet response capacity, and excessive CSG and ARG deployment lengths. As I testified in November 2013, March 2014, and January 2015, the continuing resolution and sequestration reductions in FY 2013 compelled us to reduce both afloat and ashore operations, which created ship and aircraft maintenance and training backlogs. To budget for the procurement of ships and aircraft appropriated in FY 2013, Navy was compelled to defer some purchases to future years and use prior-year investment balances to mitigate impacts to programs in FY 2013 execution. The most visible impacts occurred in Operations and Maintenance funded activities. Specific impacts to Navy programs include:

- Cancelled five ship deployments
- Delayed deployment of *USS Harry S. Truman* strike group by six months
- Inactivated, instead of repaired, *USS Miami*
- Reduced facilities restoration and modernization by about 30% (to about 57% of the requirement)
- Reduced base operations, including port and airfield operations, by about 8% (to about 90% of the requirement)
- Furloughed civilian employees for six days, which, combined with a hiring freeze and no overtime for six months, reduced our maintenance and sustainment output through lost production and support from logisticians, comptrollers, engineers, contracting officers, and planners
- Cancelled Fleet engagements and most port visits, except for deployed ships

While the Navy was able to reprioritize within available resources to continue to operate in FY 2013, this is not a sustainable course for future budgets. The actions we took in 2013 to mitigate sequestration only served to transfer bills amounting to over \$4 billion to future years for many procurement programs – those carryover bills were addressed in Navy's FY 2014 and

FY 2015 budgets. If we were sequestered again, we would be forced to degrade current and future Fleet readiness.

Shortfalls caused by the FY 2013 sequestration remain in a number of areas and the Navy is still working to recover from them. For example, we have not yet caught up from shipyard maintenance backlogs. We are working through shipyard personnel capacity issues to determine when ships can be fit back into the maintenance cycle and are balancing that against operational demands on the ships to ensure we meet the global force management requirement for Combatant Commands. The result of maintenance and training backlogs has meant delayed preparation for deployments, forcing us, in turn, to extend the deployments of those units already on deployment. Since 2013, many CSGs, ARGs, and destroyers have been on deployment for 8-10 months or longer. This comes at a cost to the resiliency of our people, sustainability of our equipment, and service lives of our ships.

Maintenance and training backlogs have also reduced Navy's ability to maintain required forces for contingency response to meet Combatant Command operational plan requirements. Although the requirement calls, on average, for three additional CSGs and three additional ARGs to deploy within 30 days for a major crisis, Navy has only been able to maintain an average of one group each in this readiness posture. Root causes can be traced to the high operational tempo of the Fleet, longer than expected shipyard availabilities, and retirements of experienced shipyard workers, but the FY 2013 sequestration exacerbated the depth of this problem and interfered with our efforts to recover.

Assuming a stable budget and no major contingencies for the foreseeable future, I estimate it is possible to recover from the maintenance backlogs that have accumulated from the high operational tempo over the last decade of war and the additional effects of sequestration by approximately 2018 for CSGs and approximately 2020 for ARGs, five plus years after the first round of sequestration. This is a small glimpse of the readiness “price” of sequestration.

Where We Are Today

Before describing our FY 2016 submission, I will discuss the Navy’s current posture, which established the baseline for our PB-16 budget.

Congress's passage of the BBA averted about \$9 billion of an estimated \$14 billion reduction we would have faced under sequestration in FY 2014. It enabled us to fund all planned ship and aircraft procurement in FY 2014, but cumulatively the shortfalls increased risk in Navy's ability to execute DSG missions. The BBA still left a \$5 billion shortfall below PB-14 in our investment, operations, and maintenance accounts.² The shortage in funding compelled us to reduce procurement of weapons (many missile types) and aircraft spare parts, defer asymmetric research and development projects, cancel repair and maintenance projects for facilities ashore, and defer procurement of maintenance/material support equipment for the Fleet.

The recent passage of the FY 2015 NDAA and Consolidated and Further Continuing Appropriations Act averted about \$2 billion of the estimated \$13 billion reduction that Navy would have faced under sequestration; an \$11 billion shortfall remains (as compared to PB-14). Although the funding enabled us to continue the refueling and complex overhaul of the *USS George Washington* (CVN 73), Navy was forced to balance its portfolio to mitigate the shortfall by making choices between capability, capacity, and readiness. We were compelled to further reduce the capacity of weapons and aircraft, slow modernization, and delay upgrades to all but the most critical shore infrastructure. As I described in testimony in March 2014, PB-15 represented another iterative reduction from the resources we indicated were necessary to fully resource the DSG missions, making Navy less ready to successfully *Deter and Defeat Aggression* and *Project Power Despite Anti-Access/Area Denial (A2/AD) Challenges*. Continuing along this budget trajectory means that by 2020, Navy will not have recovered sufficient contingency response capacity to execute large-scale operations in one region, while simultaneously deterring another adversary's aggression elsewhere. Also, we will lose our advantage over adversaries in key warfighting areas such as Anti-Surface Warfare, Anti-Submarine Warfare, Air-to-Air Warfare, and Integrated Air and Missile Defense.

² Congress subsequently added \$3.4B in FY 2014, which added an SSN and increased Navy's Ship Modernization, Operations, and Sustainment Fund (SMOSF).

Our Strategic Approach to PB-16

In developing our PB-16 submission, we evaluated the warfighting requirements to execute the primary missions of the DSG. These were informed by: (1) current and projected threat, (2) global presence requirements defined by the Global Force Management Allocation Plan (GFMAP), and (3) warfighting scenarios as described in Combatant Commanders' Operation Plans (OPLANs) and Secretary of Defense-approved Defense Planning Scenarios (DPS). We used these warfighting scenarios to assess our ability to execute more than 50 end-to-end capabilities, also known as "kill chains" or "effects chains." These chains identify all the elements needed to provide a whole capability, including sensors, communications (networks), operators, platforms, and weapons. To arrive at a balanced program within fiscal guidance, we focused first on building appropriate capability, then delivering it at a capacity we could afford. Six budget priorities guided us:

First, maintain a credible, modern, and survivable sea-based strategic deterrent. Under the New START Treaty, the Navy SSBN force will carry about 70% of the U.S. strategic nuclear warheads by 2020. Our PB-16 request sustains today's 14-ship SSBN force, the Trident D5 ballistic missile and support systems, and the Nuclear Command, Control, and Communications (NC3) suite. The Ohio-class SSBN will begin retiring, one per year, beginning in 2027. To continue to meet U.S. Strategic Command presence and surge requirements, PB-16 continues to support construction of the first Ohio Replacement SSBN in 2021 for delivery in 2028 and first deterrent patrol in 2031. As part of the Navy's Nuclear Enterprise Review, our PB-16 submission also adds approximately \$2.2 billion across the FYDP to: (1) increase shipyard and Nuclear Strategic Weapons Facilities (SWF) capacity by funding required civilian end-strength; (2) accelerate investments in shipyard infrastructure; (3) fund additional manpower associated with nuclear weapons surety; and (4) fund key nuclear weapons training systems.

Second, sustain forward presence of ready forces distributed globally to be where it matters, when it matters. We continue to utilize cost-effective approaches such as forward basing, forward operating, and forward stationing ships in the Asia-Pacific, Europe, and the Middle East. Rotational deployments will be stabilized and more predictable through continued implementation of an improved deployment framework called the Optimized Fleet Response Plan (O-FRP). We will distribute our ships to align mission and capabilities to global regions,

ensuring high-end combatants are allocated where their unique capabilities are needed most. We will meet the adjudicated FY 2016 GFMAP; this represents about 45% of the global Geographic Combatant Commander (GCC) requests. Sourcing all GCC requests would require about 450 combatant ships with requisite supporting structure and readiness.

Third, strengthen the means (capability and capacity) to win in one multi-phase contingency operation and deny the objectives of – or impose unacceptable costs on – another aggressor in another region. PB-16 prioritizes investments to close gaps in critical kill chains, but accepts risk in capacity or in the rate at which some capabilities are integrated into the Fleet.

Fourth, focus on critical afloat and ashore readiness. PB-16 helps improve the overall readiness of our non-deployed forces, but not to our satisfaction. With a stable budget and no major contingencies for the foreseeable future, I estimate it is possible to recover from the maintenance backlogs by approximately 2018 for CSGs and approximately 2020 for ARGs. Facilities Sustainment, Restoration, and Modernization (FSRM) funds are increased for FY 2016 to arrest the decline of facilities conditions, but then FSRM funds are inadequate for the remainder of the FYDP, in order to fund afloat readiness. Our budget constraints prevent us from funding all but the most critical shore facility upgrades in FY 2017 and beyond.

Fifth, sustain or enhance Navy's asymmetric capabilities in the physical domains, as well as in cyberspace and the electromagnetic spectrum. PB-16 prioritizes capabilities to deal with adversary threats, including electromagnetic spectrum and cyber capabilities and those capabilities that provide joint access developed in concert with other Services under the *Joint Concept for Access and Maneuver in the Global Commons* (formerly known as *Air-Sea Battle*). In line with USCYBERCOM priorities, we are investing in cyber defense-in-depth and expansion of cyber defense initiatives to tactical platform Information Technology systems, boundary defense solutions for ships, and security improvements for our C4I systems.

Sixth, sustain a relevant industrial base, particularly in shipbuilding. We will continue to evaluate the impact of our investment plans on our industrial base, including ship and aircraft builders, depot maintenance facilities, equipment and weapons manufacturers, and science and technology researchers. The government is the only customer for some of our suppliers, especially in specialized areas such as nuclear power. PB-16 addresses the health of the industrial base by sustaining adequate capacity, including competition, where needed and viable. While prioritizing required capabilities, we also sought to sustain a viable industrial base.

What We Can Do

As described earlier, due to the impact of prior year shortfalls and modernization deferrals in the PB-16 FYDP, we still face significant risk in executing at least two of ten primary missions of the DSG in 2020. The 2014 update to the “2012 Force Structure Assessment” (FSA) and other Navy analysis describe the baseline of ships needed to support meeting each mission. Against that baseline and using a rigorous assessment of over 50 capabilities (with appropriate capacity) necessary to be tactically successful (called “end-to-end kill chain” analysis), we conclude that with PB-16, the Navy of 2020 will support each of the ten DSG missions as follows:

Provide a Stabilizing Presence

PB-16 will meet the adjudicated presence requirements of this mission. By increasing the number of ships forward stationed and forward based, and by improving our deployment preparation process called the Optimized Fleet Response Plan (O-FRP), presence improves in some global regions as compared to previous budget submissions. The Navy of 2020:

- Provides a global presence of about 115 ships (same as PB-15); an increase over an average of 95 ships deployed today.
- Increases presence in the Asia-Pacific region. This includes forward deploying an additional SSN to Guam, the most capable DDG to Japan, Mobile Landing Platform (MLP), Joint High Speed Vessel (JHSV), both Littoral Combat Ship (LCS) variants, MQ-8C, P-8A, EA-18G, upgraded F/A-18E/F, and E-2D. MQ-4C *Triton* high endurance unmanned aerial vehicles will operate from Guam in 2017. This presence will assure allies, shape, and deter. However, a major maritime operation will require substantial naval forces to swing from other theaters or surge forward from CONUS bases.
- *“Places a premium on U.S. military presence in – and in support of – partner nations”* in the Middle East, by increasing presence by 40% to about 36 ships in 2020. Though not counted in Navy’s Battle Force, ten of our Patrol Craft (PC) serve as Forward Deployed Naval Forces (FDNF) operating out of Bahrain, and seven LCS will join them by the end of 2020. In 2016, Navy’s first Mobile Landing

Platform/Afloat Forward Staging Base (MLP/AFSB) will augment the on-station AFSB-Interim (a modified dock landing ship) to support Special Operations Forces and augment mine countermeasure capability.

- Continues to “*evolve our posture*” in Europe by meeting ballistic missile defense (BMD) European Phased Adaptive Approach (EPAA) requirements with four BMD-capable guided missiles destroyers (DDG) in Rota, Spain, and two land-based sites in Poland and Romania. The first two DDGs arrived in 2014 and all four will be in place by the end of 2015. Additional presence in Europe will be provided by forward operating JHSVs and rotationally deployed combatants.
- Will provide “*innovative, low-cost and small-footprint approaches*” to security in Africa and South America by deploying one JHSV, on average, to each region. Beginning in FY 2015, we will deploy one hospital ship (T-AH), on average, and, beginning in FY 2016, add one PC ship, on average, to South America. AFSBs forward operating in the Middle East could also provide additional presence in Africa as required. As available, we are deploying ships for shorter periods (\leq two months) in theaters other than those which they would be primarily assigned (e.g., AFRICOM and SOUTHCOM).

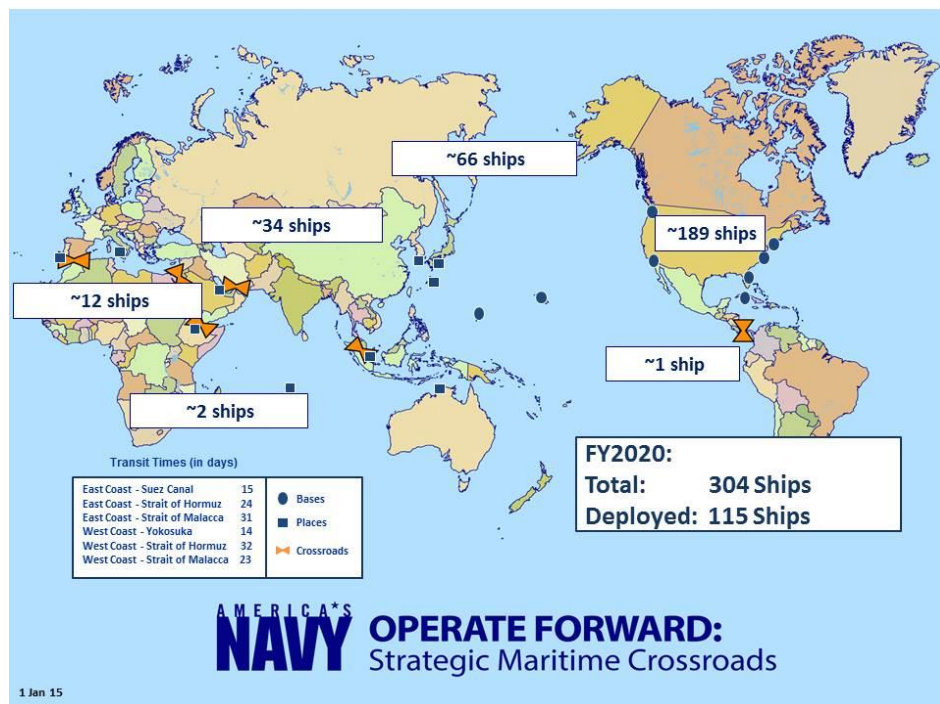


Figure 2: The Navy’s forward presence in FY 2020

Counter Terrorism and Irregular Warfare (CT/IW)

We will have the capacity to conduct widely distributed CT/IW missions. This mission requires Special Operations Forces, Navy Expeditionary Combat capabilities such as Explosive Ordnance Disposal (EOD), Combined Explosive Exploitation Cells (CEXC), Intelligence Exploitation Teams (IET), and a variety of platforms that can accommodate adaptive force packages. PB-16 procures a third MLP/AFSB in FY 2017 for delivery in FY 2020, and funds an enhanced SOF capability on all three AFSBs, which provides more robust medical facilities, improved C4I, and increased accommodation for aircraft, and other SOF-specific equipment. PB-16 also procures ten MQ-8C *Fire Scout* systems for deployments aboard LCS, which are fundamentally multi-mission.

Deter and Defeat Aggression

Navy inherits and continues to experience high risk in this warfighting mission. Our FSA described the ship force structure necessary to meet this mission's requirement: to be able to conduct one large-scale operation and *“simultaneously be capable of denying the objectives of – or imposing unacceptable costs on – an opportunistic aggressor in a second region.”* According to the FSA, the Navy has a requirement for a force of 11 CVN, 88 large surface combatants (DDG and CG), 48 attack submarines (SSN), 12 SSBN, 11 large amphibious assault ships (LHA/D), 12 amphibious transport docks (LPD), 11 dock landing ships (LSD), 52 small surface combatants, 10 JHSV, 29 combat logistics force (CLF) ships, and 24 command and support ships. Provided sufficient readiness is restored and maintained across the Fleet, this globally distributed force will yield a steady state deployed presence of more than two CSG and two ARG, with three CSG and three ARG ready to deploy within 30 days in response to a contingency (“surge”). PB-16 puts Navy on a path to procure the right mix of ships as defined by the FSA; however, the 2020 Battle Force will have a shortfall of small surface combatants due to a gap in FFG and MCM retirements and LCS deliveries. Other sources of risk in this primary mission are less aircraft, modern sensors, networks, and weapon procurements across the FYDP. Slowed modernization across the Fleet is a serious concern.

Conduct Stability and Counterinsurgency Operations

The Navy of 2020 will be able to meet the requirements of this DSG mission.

Project Power Despite Anti-Access/Area Denial (A2/AD) Challenges

Our power projection capability, reconstitution of weapons systems, and modernization programs to enable Joint Assured Access have been deferred due to budget constraints over the last three years. This reduces options and decreases our ability to assure access in all domains (space, air, surface, subsurface, and cyber). Over the last three years, funding shortfalls required us to reduce procurement in weapons by over 4,000 planned quantities. We continue to take risk in capacity in order to preserve investments in developing future capabilities. This reduced procurement of weapons and deferring of air and missile defense capabilities, coupled with joint force deficiencies in wartime information transport, C2 resiliency, and airborne ISR, will result in high risk in conducting this DSG mission if we are faced with a technologically advanced adversary.

Counter Weapons of Mass Destruction

This mission has two parts: (1) interdicting weapons of mass destruction as they proliferate from suppliers, and (2) defeating the means of delivery during an attack. PB-16 will continue to meet the requirements for this mission by providing sufficient deployed CSG, ARG, and surface combatants, as well as Navy special warfare personnel (SEAL) and EOD platoons, to address the first part. For the second part, BMD-capable DDG exist in sufficient numbers to meet the majority of GCC presence requirements under the GFMAP, and can be postured to counter weapons delivered by ballistic missiles in regions where threats are more likely to originate. That said, missile defense capacity in some scenarios remains a challenge.

Operate Effectively in Space and Cyberspace

Our PB-16 submission continues to place priority on cyber efforts to build the Navy's portion of the DoD's Cyber Mission Forces and strengthen our cyber defense capabilities afloat and ashore. We have accessed about 80% of the 1,750 cyber operators that will form 40 cyber mission teams by the end of 2016; we will continue to recruit, hire, and train this force. Additionally, we will align Navy networks with a more defensible DOD Joint Information Environment (JIE) through the implementation of the Next Generation Enterprise Network (NGEN) ashore and Consolidated Afloat Networks and Enterprise Services (CANES) at sea. We will continue funding for the launch and sustainment of the Mobile User Objective System (MUOS), DoD's newest and most robust solution for extending narrowband Ultra High

Frequency Satellite Communications (SATCOM) connectivity ashore, in flight, and at sea. Also critical to assured command and control, PB-16 continues funding the installation and sustainment of the Navy Multiband Terminal (NMT), our newest and most robust solution for giving surface and submarine forces access to wideband Super High Frequency and Extremely High Frequency SATCOM connectivity.

Maintain a Safe, Secure, and Effective Nuclear Deterrent

This mission is the Navy's top priority in any fiscal scenario, and our PB-16 submission meets its requirements. Our sea-based strategic deterrent remains safe, secure, credible, and effective today, but Navy is also implementing 27 specific actions based on the DoD Nuclear Enterprise Review recommendations, including oversight, training, policy, and process improvements, funded with an additional PB-16 investment of over \$400 million in FY 2016 and over \$2 billion across the FYDP. Our PB-16 submission satisfies STRATCOM demand for at-sea SSBN availability through the end of the current Ohio class's service life. Navy's PB-16 submission also funds Nuclear Command, Control, and Communications (NC3) modernization, Trident D5 ballistic missile Life Extension Program (LEP) to maintain a 2017 Initial Operational Capability (IOC), and Common Missile Compartment development on a 2019 delivery timeline. Continued Congressional support for Naval Reactors' Department of Energy (DoE) funding is essential to maintain life-of-the-ship core reactor design and development synchronization with our Ohio Replacement shipbuilding schedule, which ensures lead ship procurement in 2021, and refueling of the land-based prototype. Naval Reactors' DoE budget also includes the second year of funding for the Spent Fuel Handling Project (SFHP), recapitalization of which is critical to the Navy's refueling and defueling schedule of nuclear-powered aircraft carriers and submarines.

Defend the Homeland and Provide Support to Civil Authorities

PB-16 will maintain an appropriate capacity of aircraft carriers, surface combatants, amphibious ships, and aircraft that are not deployed and are ready for all homeland defense missions.

Conduct Humanitarian, Disaster Relief, and Other Operations

Navy's global presence and training is sufficient to conduct these operations.

Modernization

The following paragraphs describe specific PB-16 programs that influence our ability to conduct the missions required by the DSG, and the impact of programmatic action:

Shipbuilding

Navy shipbuilding priorities remain largely consistent with PB-15. Navy will procure 48 ships across the FY 2016-2020 period. Fourteen Battle Force ships will be delivered in FY 2016 alone. PB-16:

- Maintains funding to support RDTE and advanced procurement of the first Ohio Replacement SSBN, our highest priority program. Without increased shipbuilding funding in FY 2021 and beyond, Ohio Replacement SSBN funding will consume the majority of Navy's annual shipbuilding budget, and degrade other shipbuilding programs. Appropriations for SSBN recapitalization are historically consistent with the last period of SSBN procurement between 1974 and 1990.
- Fully funds *USS George Washington* (CVN 73) refueling and complex overhaul.
- Procures ten Arleigh Burke-class DDG (one Flight IIA and nine Flight III) in the FYDP, two per year, resulting in an inventory of 72 by 2020. The first Flight III DDG, which will incorporate the advanced AN/SPY-6 radar (formerly called the Air and Missile Defense Radar, or AMDR), will be procured in FY 2016 and delivered in FY 2021.
- Procures ten Virginia-class SSNs in the FYDP, two per year, resulting in an inventory of 22 Virginia-class submarines (51 total SSNs of all types) by 2020.
- Funds the final nine LCS (Flt 0+) across the FYDP (three per year FY 2016 – 2018). Then beginning in FY 2019, Navy will procure new Small Surface Combatants (two in FY 2019, three in FY 2020) based on upgraded variants of the LCS that Navy will designate as “Frigates” (FF). There will be no construction gap between procurement of the last LCS (Flt 0+) and the first “frigate.” The new “frigate” will offer improvements in capability, lethality, and survivability.

- Funds replacement of LSD amphibious ships with the LX(R) starting with advanced procurement in FY 2019 and procurement of the first LX(R) in FY 2020. LX(R) serial production will begin in FY 2022.
- Procures a twelfth LPD, which will be developed in parallel with the LX(R) program and incorporate targeted design and construction initiatives to increase affordability. Adding LPD 28 to the inventory will help mitigate expeditionary capability and amphibious lift shortfalls.
- Funds four Fleet oilers (T-AO(X)) across the FYDP beginning in FY 2016. T-AO(X) replaces the aging single hull fleet oiler. This new procurement ensures continued combat logistics support to our ships.
- Funds five Fleet salvage ships (T-ATS(X)) across the FYDP beginning in FY 2017. These new ships replace the two aging salvage class ships with a single class while improving capability and performance.

Combatant Ship Modernization

In parallel with shipbuilding, PB-16 continues modernization of in-service platforms to allow our combatants to remain relevant and reach their expected service lives. The ship modernization program does not keep pace to deal with high-end adversary weapons systems by 2020. Flight I and II of the *Arleigh Burke*-class DDG began mid-life modernization in FY 2010; thirteen will have completed Hull Mechanical and Electrical (HM&E) modernization by the end of 2016, and six of these ships will have also completed combat systems modernization. In FY 2017, we will begin to modernize the Flight IIA DDGs. However, due to fiscal constraints we were compelled to reduce the combat systems procurements of one DDG Flight IIA per year, starting in FY 2016. This will result in some destroyers not receiving combat systems upgrades when originally planned to allow them to pace the threat, particularly in Anti-Air Warfare (AAW) and Ballistic Missile Defense (BMD).

In order to maintain force structure that provides Air Defense Commander support to the CSGs, Navy will induct two Guided Missile Cruisers (CGs) into phased modernization in FY 2015 and an additional two in FY 2016. This will place a total of four ships in modernization with the intent that each ship period will be limited to four years. We are committed to modernizing a total of 11 CGs in the current modernization program. Without any phased

modernization program, the CG class will retire, without replacement, at the end of their service lives between 2020 and 2030. Using the Congressionally directed 2/4/6 plan, the final retirements will occur between 2036 and 2039. Under the Navy's original PB-15 plan, the final CG retirement would have occurred in 2045, at a significantly reduced cost to the Navy, and would have relieved pressure on a shipbuilding account largely consumed in the 2030s with building Ohio Replacement SSBNs and aircraft carriers. We request Congressional support for Navy's original plan.

Nine of 12 *Whidbey Island*-class LSDs have undergone a mid-life update and preservation program, two are currently being modernized, and one more will be inducted into phased modernization in FY 2016. Modernization of seven *Wasp*-class large deck amphibious assault ships (LHD) was delayed by two years, and they will now complete mid-life modernization by FY 2024. Modernization of the eighth LHD, USS *Makin Island*, will be addressed in subsequent budget submissions.

Warfighting Capability

Aviation

PB-16 continues our transition, albeit more slowly than desired, to the "Future Air Wing." This transition will dramatically improve our capabilities and warfighting capacity across critical "kill chains." But, funding shortfalls have stretched (deferred) modernization plans in this area. This delay will call into question our ability to deal with near peer competitors, especially if directed to carry out our DoD campaign plan in the 2020 timeframe. Specifically, we will continue to field more advanced land-based maritime patrol aircraft (manned and unmanned) to evolve our ISR, ASW, and sea control capabilities and capacity. To further these objectives, PB-16 provides the following capabilities:

- Navy Integrated Fire Control-Counter Air (NIFC-CA) Increment I capability will field with the E-2D *Advanced Hawkeye* aircraft in 2015, with four air wings transitioned to the E-2D by 2020. This integrates aircraft sensor and ship weapons

capabilities, improving lethality against advanced air and missile threats. However, we deferred two E-2D outside the FYDP (procure 24 vice 26).

- The F-35C Lightning II, the carrier-based variant of the Joint Strike Fighter, is scheduled to achieve IOC in 2018. However, F-35C procurement will be reduced by 16 airframes (from 54 to 38) across the PB-16 FYDP when compared to PB-15. The F-35C, with its advanced sensors, data sharing capability, and ability to operate closer to threats, is designed to enhance the air wing's ability to find targets and coordinate attacks.
- Continued support for a Service Life Extension Program (SLEP) for the legacy F/A-18A-D Hornet to meet our strike fighter inventory needs while integrating the F-35C. With SLEP modifications, some of these aircraft will achieve as much as 10,000 lifetime flight hours, or 4,000 hours and (16 years) beyond their originally-designed life.
- To address Navy electronic attack requirements, EA-18G will reach full operational capability in FY 2017. Replacement of the aging ALQ-99 jamming pods begins in FY 2021, when the Next Generation Jammer (NGJ) Increment I, featuring upgraded capabilities against mid-band frequencies, reaches IOC. NGJ Increment II research and development on low band frequencies remains funded for FY 2016.
- All components of an improved air-to-air "kill chain" that employs infrared (IR) sensors to circumvent adversary radar jamming will be delayed another year. PB-16 increased funding to procure an additional 28 Infrared Search and Track (IRST) Block I sensor pods for F/A-18E/F *Super Hornet*, for a total of 60, across the FYDP; however, the IRST Block I sensor system will field in 2018 (versus 2017 under PB-15) and the improved longer-range IRST Block II will not deliver until 2022 (versus 2019 under PB-15).
- Improvements continue to the air-to-air radio frequency "kill chain" that defeats enemy jamming at longer ranges. By 2020, 380 jamming protection upgrade kits for F/A-18E/F *Super Hornets* and EA-18G *Growler* will be delivered. But, we were compelled to defer 180 kits beyond the FYDP.

- Integrates the Small Diameter Bomb II (SDB II) on the F/A-18 by FY 2020, and procures 1,590 units across the FYDP to enhance carrier air wing precision strike capabilities.
- V-22 (Navy variant) aircraft have been selected as the solution to the aging C-2 Carrier Onboard Delivery (COD) aircraft. PB-16 procures 24 aircraft over the FYDP with an IOC of FY 2021. The V-22 (Navy variant) extends the range and increases the flexibility of Strike Group resupply.
- Navy's commitment to the Unmanned Carrier-Launched Airborne Surveillance and Strike System (UCLASS) program continues. However, a DoD-wide Strategic Portfolio Review will delay UCLASS Air Vehicle segment contract award by at least one year. The remaining UCLASS Carrier Integration and Connectivity and Control System segments will continue and are funded through the FYDP.

Long Range Strike

Our precision strike capabilities and capacity will be critical to success in any foreseeable future conflict. Potential adversaries have already fielded and continue to develop advanced, long range weapons that will require effective counters. We remain challenged in this area. Accordingly, PB-16:

- Funds Virginia Payload Module (VPM) RDT&E and SCN to accelerate inclusion of VPM on at least one Virginia Class Block V SSN per year in FY 2019 and 2020. VPM will enable Virginia-class SSNs to mitigate the loss of SSGN strike capacity as they begin to retire in 2026. VPM will more than triple the Tomahawk Land Attack Missile (TLAM) Block IV strike capacity of a VA-class SSN from 12 to 40 missiles.
- Supports the existing Tactical Tomahawk cruise missile inventory by extending service life through investments in critical capability enhancements and vital parts to achieve maximum longevity. PB-16 adds 100 Tomahawks in FY16. Production deliveries will now continue through FY 2018, which minimizes factory impact until the start of Tomahawk Block IV inventory recertification and modernization beginning in FY 2019.

- Invests in future capability by commencing an analysis of alternatives for the Next Generation Land Attack Weapon (NGLAW), with a planned Fleet introduction in the 2024-2028 timeframe, at least a decade prior to the sundown of TLAM Block IV in the 2040s.

Anti-Surface Warfare

Navy remains challenged in this mission area due to both capability and capacity shortfalls. To deal with potential adversaries' long-range anti-ship cruise missiles and maritime air defenses, PB-16 implements a plan to deliver a family of anti-surface warfare (ASuW) capabilities. The program maintains current ASuW capability inherent in the Harpoon missile, Standoff Land Attack Missile-Expanded Response (SLAM-ER), Joint Standoff Weapon (JSOW) C-1, and Mk48 Advanced Capability (ADCAP) torpedoes. In the near term, we are pursuing options to develop an improved, longer-range ASuW capability by leveraging existing weapons to minimize technical risk, costs, and development time. Five of ten Patrol Craft in the Arabian Gulf have been upgraded with short-range Griffin missiles, and the other five will receive them by the end of 2015. Additionally, PB-16 funds enhanced ASuW lethality for LCS by integrating surface-to-surface missiles (Hellfire Longbow) onto those platforms starting in 2017. Navy is evaluating which missile to select to provide upgraded LCS ("frigates") an additional and even longer range over-the-horizon missile capability. Also, PB-16 continues to accelerate acquisition of the Long Range Anti-Ship Missile (LRASM) air-launched variant, which will achieve early operational capability on F/A-18E/F aircraft in FY 2019.

Anti-Submarine Warfare

PB-16 sustains our advantage in the undersea domain by delivering the following capabilities, although capacity challenges persist:

- Procures 47 P-8A *Poseidon* maritime patrol aircraft, replacing the legacy P-3C *Orion*'s capability, and completing the transition by FY 2019. We continue investments in the development of a high-altitude anti-submarine warfare capability (HAAWC), which is composed of a MK 54 torpedo kit and software support system.

- Continues installation of ASW combat systems upgrades for DDGs and improved Multi-Function Towed Arrays (MFTA) for DDGs and CGs. Both installations will be complete on all DDGs forward based in the Western Pacific by 2018.
- Continues upgrades to all our P-8A and ASW helicopters in the Western Pacific with sonobuoys and advanced torpedoes by 2018; however, in PB-16 we were compelled to reduce weapons capacity, which equated to cancelling 240 MK 54 lightweight torpedoes.
- Procures 145 MK 48 ADCAP torpedoes over the FYDP to reduce a wartime requirement shortfall from 30% to 20%, and invests in modularity and endurance improvements to enable more efficient production, better performance, and future upgradability.
- Improves surface ASW capability in the LCS ASW Mission Package by employing an MFTA in concert with variable depth sonar (VDS) in 2016.
- Defers recapitalization of our ocean surveillance ship, T-AGOS(X), from FY 2020 to outside the FYDP, a reflection of our intent to extend the service life of our current T-AGOS vessels.
- Develops and builds the Large Displacement Unmanned Undersea Vehicle (LDUUV) in the FYDP to augment submarine capabilities. We will use Office of Naval Research Innovative Naval Prototype large UUVs to train our Fleet operators, preparing them for LDUUV Fleet introduction in the early 2020s.

Electromagnetic Maneuver Warfare

PB-16 puts Navy on a path to maneuver more freely in the electromagnetic spectrum, while strengthening our capability to degrade adversaries' ability to do so. It maintains our investment in the Ships' Signals Exploitation Equipment (SSEE) Increment F, which equips ships with a capability to interdict the communications and address and offset elements of adversary kill chains by 2020. PB-16 adds an advanced geo-location capability to SSEE Increment F, which contributes to defeating the "left side" of the adversary's ballistic missile kill chain and C4ISR systems. It also increases our investment in upgraded electromagnetic sensing capabilities for surface ships via the Surface Electronic Warfare Improvement Program (SEWIP) Block 2 that will deliver in 2016, procuring an additional 14 systems. PB-16 begins low rate

initial production of SEWIP Block 3 in 2017 to add jamming and deception capabilities to counter advanced anti-ship cruise missiles. PB-16 also stands up Real-Time Spectrum Operations (RTSO) as a Program of Record. RTSO will provide ships and strike groups the ability to sense, control, and plan the use of spectrum, detect interference, notify the operators of spectrum issues, and provide recommended actions allowing for command and control of the electromagnetic spectrum.

Our cyber capability continues to afford the Navy a competitive advantage, but we are growing increasingly concerned about potential vulnerabilities that could affect combat readiness. Recognizing these risks, in FY 2015 the Navy stood up a dedicated task force to evaluate our cyber security posture and manage our investment portfolio to ensure we are spending money where it matters most. In addition to evaluating our cyber risk and informing our budget process, the task force will also recommend changes to the Navy's acquisition and management of our networks and cyber-connected systems.

Mine Warfare

To enhance our ability to counter mines in the Middle East and other theaters, our PB-16 program sustains investments in the LCS mine countermeasures mission package (MCM MP), completing initial testing of its first increment in 2015 and achieving full operational capability in 2019. The MCM MP provides significantly faster rates of waterspace mine clearance over legacy counterparts. PB-16 also sustains our interim AFSB, USS *Ponce*, in service through at least FY 2017. USS *Ponce* provides forward logistics support and command and control to MCM ships and helicopters, allowing them to remain on station longer and sustain a more rapid mine clearance rate. In the near-term, PB-16 continues funding for Mk 18 *Kingfish* unmanned underwater vehicles (UUV) and *Sea Fox* mine neutralization systems deployed to the Arabian Gulf today, as well as increased maintenance and manning support for forward-deployed MH-53 airborne mine countermeasures platforms and *Avenger*-class MCM ships forward based in Bahrain.

Readiness

Afloat Readiness

PB-16 funds ship operations to 45/20 (deployed/non-deployed) steaming days per quarter. Overseas Contingency Operations (OCO) funds an additional 13/4 days (deployed/non-deployed), providing the training and operations required to meet our FY 2016 GFMAP commitment. PB-16 baseline funds ship maintenance to 80% of the requirement, with OCO funding the remaining 20%, to continue life cycle maintenance reset of CVNs and surface force ships. To address the workload to be completed in our public shipyards, Navy funds additional workforce (up to 33,500 Full Time Equivalent workers by FY 2017) and will send selective submarines to private shipyards in FY 2016 and FY 2017.

With respect to the Flying Hour Program, PB-16 achieves deployed readiness levels of T2.5/T2.0 (USN/USMC) in accordance with guidance for all carrier air wing (CVW) aircraft.³ Navy funds Aviation Depot Maintenance to 83% of the requirement, which puts the depots at capacity. As Aviation Depot Maintenance throughput improves, the associated F/A-18 flying hours and depot maintenance budgets will increase to the more notional level of 77%. PB-16 increases Navy Expeditionary Combat Command FY 2016 base funding from 42% to 80%. OCO funds the remaining 20%.

Year after year, the Navy has consistently provided more global presence than authorized and adjudicated by the GFMAP. In 2013 and 2014, for example, Naval forces provided six percent and five percent more forward presence, respectively, than planned due to emergent operations and unanticipated contingencies. This unbudgeted usage amounted to greater than 2,200 days in theater over that planned in 2013 and greater than 1,800 days in theater over that planned in 2014. We should operate the Fleet at sustainable presence levels, in order for the Navy to meet requirements while still maintaining material readiness, giving ships time to modernize, and allowing them to reach their expected service lives.

³ Due to extended depot repair time, F/A-18A-D availability is reduced and shortfalls in aircraft will be borne by non-deployed forces. As more legacy F/A-18s approach their 6,000 hour design life and are inducted for assessment and life extension to 8,000 or 10,000 hours, aviation depots are experiencing production challenges resulting in longer-than-expected repair cycle times for these aircraft. Navy has taken steps to better maintain and repair these legacy aircraft and expects to improve depot productivity by 2017, with the backlog fully recovered by 2019. In PB-16, Flying Hours for these aircraft will reflect the maximum executable profile and achieve T2.0 for deployment, with tailored T-ratings through the training cycle.

Ashore Readiness

To comply with fiscal constraints, we are compelled to continue accepting risk in shore infrastructure investment and operations. PB-16 prioritizes nuclear weapons support, base security, and airport/seaport operations while maintaining our commitment to quality of life programs for our Sailors and Families. We are funding the sustainment, restoration, and modernization of our facilities at a level to arrest the immediate decline in the overall condition of our most critical infrastructure. Although FY 2016 marks an improvement in the facilities funding when compared to PB-15, Navy is still below the DoD goal for facilities sustainment. Facilities sustainment also declines in the PB-16 FYDP in order to preserve the operational readiness of our Fleet. When restoring and modernizing our infrastructure, we intend to prioritize life/safety issues and efficiency improvements to existing infrastructure and focus on repairing only the most critical components of our mission critical facilities. By deferring less critical repairs, especially for non-mission-critical facilities, we are allowing certain facilities to degrade and causing our overall facilities maintenance backlog to increase. We acknowledge this backlog must eventually be addressed.

Navy will exceed the minimum 6% in capital investment in Naval Shipyards and Depots described in 10 USC 2476, with a projected 7.4% in FY 2016. Additionally, we are on track to exceed the target in FY 2015 with a projected 6.3% investment. Our Naval Shipyards and depots are critical to maintaining the warfighting readiness of our force, and Navy will continue to prioritize investments to address the most critical safety and productivity deficiencies.

Audit Readiness

Navy is on course to achieve full auditability on all four financial statements by the end of FY 2017, a legislative mandate. An audit of the Schedule of Budgetary Activity (SBA), began in December 2014. This initial audit is a critical step to identify any weaknesses in business systems and business processes. The Navy's Audit Plan has been greatly improved by lessons learned from our sister Service, the United States Marine Corps, which achieved a clean audit on their SBA in 2013. The remaining challenge to meeting the FY 2017 mandate is to achieve auditability on the other major financial statement, Navy's Balance Sheet. Audit readiness on the Balance Sheet depends primarily on the accuracy of the multi-billion-dollar Asset line; the Navy

has been executing a plan to bring Service-wide accountability for major assets (by amounts and value) into compliance with financial audit standards. The Navy is confident that it will be able to undergo an audit of all of its financial statements by FY 2017 to meet the Congressional requirement.

Family Readiness

Family readiness is fully integrated into our Navy's call to be ready. PB-16 continues to provide support for critical programs that support our Sailors and their Families so that they can adapt to, and cope with, the challenges of balancing military commitment with family life. Navy Fleet and Family Support Centers ensure military families are informed, healthy, and resilient through robust programs that include: relocation assistance; non-medical and family counseling; personal and family life education; personal financial management services, information and referral services; deployment assistance, domestic violence prevention and response services, exceptional family member liaison; emergency family assistance and transition assistance. Increased stress and longer family separations have amplified program demand and underlined the importance of these support programs and services to ensure the psychological, emotional, and financial well-being of our Sailors and their Families.

Navy Child and Youth Programs continue to provide accessible, affordable, and high-quality child and youth development programs through child development centers, youth centers, child development homes, and contract child care spaces. All Navy child development centers are DoD certified and nationally accredited, and provide consistent, high-quality care at affordable rates based on total family income.

Military Construction

The PB-16 Military Construction program includes 38 projects valued at almost \$1 billion to invest in our construction worldwide. We have prioritized funding to enable IOC of new platforms such as LCS, P-8A, F-35C, MH-60, and MQ-4C through the construction of hangars, mission control centers, and various support and training facilities. We are also supporting Combatant Commander requirements by constructing a land-based Aegis site in

Poland and upgrading port facilities in Bahrain. A portion of MILCON funds will recapitalize infrastructure in three naval shipyards and improve the resiliency of utilities systems at seven bases. Three projects will improve the quality of life for our Sailors and their Families by addressing unaccompanied housing issues in Florida and Maryland and constructing a new child development center in Japan.

Health of the Force

We measure and track the health of our force using Navy-wide metrics on recruiting, retention, manning levels; unit operational tempo; individual tempo (how often individual Sailors are away from home); morale; stress; sexual assault rates; suicide rates; alcohol-related incidents, and other factors. Based on a comprehensive study of these metrics and trends, today we rate the overall health of our Navy force as good. Our Sailors are our most important asset, they are our “asymmetric advantage,” and we have invested appropriately to keep a high caliber all-volunteer force. At work, the Navy is committed to providing our Sailors a challenging, rewarding professional experience, underpinned by the tools and resources to do their jobs right. Our obligations don’t stop at the bottom of the brow. I remain focused on dealing with enduring challenges that relate to the safety, health, and well-being of our people, no matter where they are located. We also support our Navy Families with the proper quality of life in terms of compensation, professional and personal development, and stability (i.e., deployment predictability). Navy’s 21st Century Sailor Office (OPNAV N17), led by a flag officer, continues to integrate and synchronize our efforts to improve the readiness and resilience of Sailors and their Families. Specific initiatives that we continue to support in PB-16:

21st Century Sailor Programs

Suicide Prevention

Preventing suicide is a command-led effort that leverages a comprehensive array of outreach and education. We continue to raise awareness regarding the combination of indicators most common to suicide-prone individuals such as post-traumatic stress, relationship problems, legal and financial problems, periods of transition and mental health issues. We have launched

several key initiatives including: (1) mandatory Operational Stress Control (OSC) skills training for units within six months of deployment, (2) new guidance for Navy unit commanders and health professionals to reduce access to lethal instruments under certain conditions, (3) an interactive, scenario-based suicide prevention training tool, (4) an OSC curriculum specific to our Reserve Sailors, and (5) specialized Chaplain Corps professional development training on suicide prevention. Our Sailors continue to learn about the bystander intervention tool known as “A.C.T.” (Ask – Care – Treat). We also invest in the resilience of our people to help them deal with any challenge.

Resilience

Our research shows that a Sailor’s ability to steadily build resilience is a key factor in navigating stressful situations. Education and prevention initiatives train Sailors to recognize operational stress early and to use tools to manage and reduce its effects. Our Operational Stress Control (OSC) program is the foundation of our efforts to teach Sailors to recognize stressors in their lives and mitigate them before they become crises. We expanded our OSC mobile training teams, developed Bystander Intervention to the Fleet training, and deployed resiliency counselors on our aircraft carriers and large deck amphibious ships. The 21st Century Sailor Office is also conducting a Total Sailor Fitness curriculum review and developing a Resilience Management System to automate the collection and reporting of all destructive behaviors and better coordinate and integrate our resilience efforts. We also launched a new campaign across the Fleet in 2015 called “Every Sailor, Every Day,” which emphasizes personal responsibility and peer support, so that Sailors are even more empowered to look out for and help other Sailors.

Sexual Assault

The Navy continues to pursue a deliberate strategy in combatting sexual assault. We continue to focus on preventing sexual assaults, ensuring victims are fully supported, improving investigation programs and processes, and ensuring appropriate accountability. These efforts include making sexual assault forensic exams available on all ships and 24/7 ashore, having a cadre of professional and credentialed sexual assault response coordinators and victim advocates, special victim trained investigators and JAGs, and ensuring commands take all reports of sexual assault seriously and support the victim. We will enhance our response efforts by full implementation of deployed resiliency counselors on large deck ships, enhanced NCIS

investigative capability using specially training Master-at-Arms, and continued legal assistance to victims through our Victims Legal Counsel program.

Sustaining a professionalized response and victim advocacy system remains the top priority, but preventing sexual assaults in the first place is an imperative. Our strategy focuses on improving command climate, strengthening deterrence measures, and encouraging bystander intervention. To facilitate the latter, we trained facilitators to lead small, peer-group interactive discussions using various scenarios. Likewise, we have focused on raising awareness and accountability regarding retaliation to reduce the potential for re-victimization. A RAND survey of DoD found that 53% of retaliation is “social” or “peer,” so we are focusing in on that area. Navy efforts are aligned with SECDEF direction to enhance first line supervisor skills and knowledge in recognizing signs of possible acts of retaliation. Recent Navy survey results show that prevalence of sexual assaults is decreasing, but we remain fully committed to creating and sustaining a culture where Sailors understand the importance of treating Shipmates with dignity and respect at all times, in all places.

Manpower

End Strength

PB-16 supports an FY 2016 Navy active end strength of 329,200 and reserve end strength of 57,400. It appropriately balances risk, preserves capabilities to meet current Navy and Joint requirements, fosters growth in required mission areas, and provides support to Sailors, Navy Civilians, and Families. Programmatic changes tied to force structure and fact-of-life additions resulted in modest PB-16 active component end strength growth. Examples of force structure-related changes include retaining personnel for CVN 73 and its air wing, restoring manpower to nine cruisers that will remain in operation, and building crews for new construction destroyers (DDG 51, DDG 1000) and submarines (*Virginia* Class). PB-16 end strength remains fairly stable across the FYDP, reaching approximately 330, 000 active and 58,900 reserves in FY 2020.

Sea Duty

Navy continues to emphasize and reward sea duty. Aggregate Fleet manning (what we call “fill”) increased from 93% in FY 2013 to 96% in FY 2014, the equivalent of roughly 3,500

more Sailors aboard surface ships. Also, we are very close to achieving our goal of ensuring that more than 90% of our Sailors are serving in jobs at the required grade with requisite experience and training (what we call “fit”). Navy is committed to reducing deployment lengths to seven months, but in recognition of those who have been experiencing longer deployments (over 220 days), in 2014 we began providing additional pay called Hardship Duty Pay-Tempo (HDPT). We have also incentivized and rewarded sea duty, in general, by increasing Sea Pay.

Personnel Management

Recruiting and Retention

Navy recruiting and retention remain strong, although retaining personnel in certain critical skills continues to present a challenge, particularly as the demands we place on Sailors and their Families remain high. The threat of looming sequestration, along with a recovering economy, is a troubling combination. We are beginning to see downward trends in retention, particularly among pilots, nuclear-trained officers, SEALs, and highly-skilled Sailors in information technology, Aegis radar and nuclear specialties. We are using all tools at our disposal, including special and incentive pays, to motivate continued service in these critical fields.

Gender Integration

Integrating women across the force remain top priorities, because they allow the Navy to tap into the Nation’s rich talent pool. Over 96% of all Navy jobs are currently available to women and we expect to open all occupations by early next year. We are also focused on retaining women warfighters by increasing career flexibility through initiatives like the Career Intermission Program, which allows service-members to take a hiatus from their careers for up to three years to pursue personal priorities before re-entering the force. One of our major thrusts in FY 2016 is to increase female accessions of both officer and enlisted in order to provide greater female representation in all operational units by 2025. We are setting a goal of increasing female enlisted accessions to 25% and changing the mix of ratings available to provide greater operational opportunity for women to serve. Integration of women into the submarine force is tracking well.

Diversity

Demonstrating our continued commitment to diversity, Navy recently established a Diversity Policy Review Board, chaired by the Vice Chief of Naval Operations. Individual community self-assessments focused on diversity trend analysis are also vetted at my level to ensure each warfighting enterprise remains free of barriers to advancement and committed to equal opportunity to our entire talent pool without regard to race, gender, country of origin, or religion. Additionally, Navy offers a range of Science, Technology, Engineering, and Mathematics (STEM) education and outreach programs to generate interest by the Nation's youth in these fields and open up opportunities for them to consider potential Navy careers where STEM expertise could be applied.

Quality of Service

Navy continues to invest in projects designed to improve Sailor's quality of service, which has two components: (1) quality of work, and (2) quality of life. Further, all funds saved through "compensation reform" are directly invested in quality of work and quality of life programs. PB-16 invests in quality of service initiatives such as barracks and training building improvements, greater travel and schools, expanded use of tactical trainers and simulators, and increased funding for spare parts and tools. It also leverages smart technology devices and applications through an "eSailor" initiative to enhance training, communication and Sailor career management ashore and afloat.

Talent Management

As our economy improves and the labor marketplace becomes even more competitive, the battle for America's talented youth in service continues to heighten. Today's generation, while remarkably similar in their desire to serve as the rest of us, have different expectations for a career of service. Meanwhile, our personnel policies and information systems are rooted in the assumptions of a previous era. Much like any legacy weapons system, that personnel and learning structure is in need of modernization. Thus, we are examining initiatives to modernize how we manage our future force, for example: (1) phase out strict Year-Group management practices in favor of a milestone-based promotion system, (2) improve lateral flows between reserve and active components to offer more agile pathways of service, and (3) upgrade our information technology, software, and tools to enable a more mobile, flexible, and accurate

personnel delivery system. Further, we plan to build upon our cultural strengths through a number of family-centered initiatives, such as expanded child development and fitness resources, along with greater career flexibility for dual-military and dual-professional Families to grow together while serving our Nation.

Transition Assistance

A new Transition Goals, Plans, Success (GPS) curriculum replaced the 20-year old Transition Assistance Program (TAP) to improve career readiness standards and assist separating Sailors. The mandatory five-day core curriculum provides Veterans Affairs benefits briefings, the Department of Labor employment workshop, financial management and budgeting, and military to civilian skills crosswalk. Moreover, the DoD Military Life Cycle (MLC) Transition Model, implemented in 2014 in the Navy, is working to begin a Sailor's transition preparation early in their career, by providing opportunities to align with civilian standards long before their intended separation, to achieve their post-military goals for employment, education, technical training, or starting a business.

Character Development

At all levels in the Navy, we emphasize a culture of integrity, accountability, and ethical behavior. All of these make up the character of our leaders. Good character enables unconditional trust throughout our ranks. This is essential to succeed as a unified, confident, and interdependent team. It must be inherent in all our operations.

Navy continues to emphasize character development as a priority in our overall leader development efforts, which are outlined in Navy's 2013 *Navy Leader Development Strategy*. In 2014, we established the Naval Leadership and Ethics Center (formerly known as the Command Leadership School), which serves as the means by which we guide our efforts. This new command, alongside our Senior Enlisted Academy, and Leadership and Ethics programs at the Naval War College, expands and improves character development initiatives at every level. We are developing an ethics curriculum (courses and modules) that will be embedded in schoolhouses across the Fleet. We are also strengthening our Navy Leader Development Continuum, which is the way in which we facilitate development of both officers and enlisted throughout all phases of their careers. We are not learning alone; we draw insights and share

best practices with our sister Services. The Navy is committed to inculcating into every member of our profession the key attribute of good character. It reflects our Navy heritage and the citizens of our Nation expect that we uphold the highest standards of behavior and performance in the execution of duties.

Navy Reserve Force

Our Navy responded to extraordinary challenges over 13 years of war with the help of Reserve Sailors. The men and women of our Navy Reserve have increasingly put their civilian careers on hold in order to operate forward, provide critical support to Fleet and Combatant Commanders, and enhance the performance of the Joint Force. The Navy Reserve is a valuable hedge against an uncertain and challenging security environment; they augment the Fleet with unique skills to see us through any challenge. Since 9/11, reserve contributions to the active duty Navy component have been significant - over 73,000 Navy Reserve Sailors were mobilized in support of global contingency operations, providing tens of thousands of "boots on the ground" in Iraq, Kuwait, Bahrain, Afghanistan, and the Horn of Africa, as well as supporting key missions like those at Joint Task Force-Guantanamo Bay. On any given day, nearly 25% of the Navy Reserve force directly supports the Navy worldwide—about 15,000 Sailors.

Based on our annual assessment of the active/reserve mix, PB-16 continues investments in expanding critical capabilities within the Reserve component including: (1) surge maintenance, by selectively targeting reservists who bring specific, valuable civilian skill sets to the Navy Total Force; (2) intelligence support, by realigning end strength to support this vital mission; (3) cyber warfare, by ensuring the appropriate mix of reserve manning to augment the active Navy capability; and, (4) high value unit escort, by leveraging the Navy Reserve's ability to fill short notice requirements using Reserve Coastal Riverine Force units to assume CONUS high value unit escort missions from the Coast Guard. PB-16 maintains several vital reserve capabilities, including all of the Navy-unique Fleet essential airlift assets (C-40A and C-130). These enable the Navy to meet short-notice, mission-critical airlift requirements more responsively than any other logistics option. It also supports Airborne Electronic Attack by fully funding a reserve airborne electronic attack squadron, which is an integral component of Navy's cyclic operational expeditionary airborne electronic attack deployment capability.

Conclusion

For the last three years, the Navy has been operating under reduced top-lines generating capability shortfalls amounting to \$25 billion less than the President's Budget requests. With each year that the Navy receives less than requested, the loss of force structure, readiness, and future investments cause our options to become increasingly constrained. Navy has already divested 23 ships and 67,000 personnel between 2002 and 2012. And we have been assuming significant risk by delaying critical modernizations of our force to keep pace and maintain technological advantage.

Unless naval forces are properly sized, modernized at the right pace, ready to deploy with adequate training and equipment, and able to respond with the capacity and speed required by Combatant Commanders, they will not be able to carry out the defense strategy, as written. Most importantly, when facing major contingencies, our ability to fight and win will not be quick nor as decisive as required. To preclude a significantly diminished global security role for the Nation's military, we must address the growing mismatch in ends, ways, and means.

The world is more complex, uncertain, and turbulent; this trend will likely continue. Our adversaries' capabilities are modernizing and expanding. It is, therefore, vital to have an adequate, predictable, and timely budget to remain an effective Navy. PB-16 proposes the best balance of Navy capabilities for the authorized amount of funding, and enables the Navy to conduct the ten primary missions outlined in the President's DSG and the QDR. But, there is considerable risk. PB-16 is the absolute minimum funding needed to execute our DSG. Should resources be further reduced below PB-16 levels, the DSG will need to be revised. If sequestration is implemented in FY 2016, it will damage our national security.

I thank this committee for their abiding support and look forward to working together to develop viable options for our Nation's future.